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Money, banks, panics, and prosperity

[Washington, D.C.]

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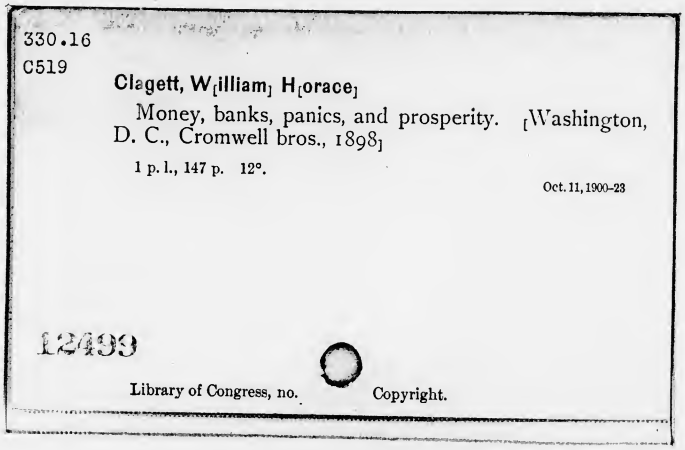

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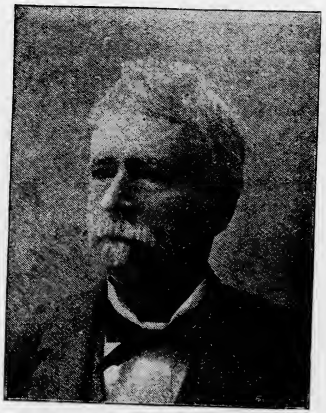

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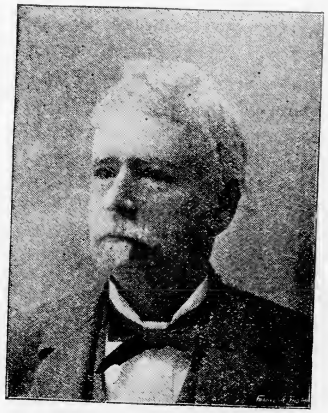

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MONEY,

BANKS, PANICS,

AND

PROSPERITY

By

HON. W. H. CLAGETT.

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INTRODUCTION.

In 1896 three great political parties supported Hon. Wm. J. Bryan for the Presidency. The platform of each of those parties declared that until rightly settled, the money question should be made paramount to all others. Expressed in different forms of speech all three of the platforms in effect demanded:

1. The free and unlimited coinage of both silver and gold at the present legal ratio of 16 to 1 by the independent action of the United States.

2. That all paper money should be issued by the National Government.

3. That every dollar (whether of gold, silver or paper) permitted to circulate as money, should be full legal tender.

4. The restoration to the debtor of his ancient common law right, to pay his debt in any kind of lawful money authorized by law, and

5. That the future demonetization by private contract of any kind of lawful money should be prohibited.

These five propositions constituted the basic principles of the currency system proposed by the three allied political parties, and the full discussion of *all* of them was necessary to a proper understanding of the system.

After the campaign opened, however, almost without exception, the public press and speakers supporting Mr.

Bryan, confined their utterances to one of them only, viz: the free coinage of silver. So much stress was laid upon this single proposition that practically nothing was heard amid the uproar of the contending parties, except shouts for gold on the one side and silver on the other. The effect of this was (as we all now know) that a multitude of uninformed voters was misled into the belief that their choice lay between the single gold or single silver standard. Although fully embodied in the foregoing five propositions, the true theory of money was scarcely mentioned.

This was precisely what the gold men wanted. When all discussion was limited to and circled around the question "*of what metal*" shall our money (legal tender) be made, the uninstructed voter could not separate the idea of *money* from the idea of the *material* of which it is composed. To him they became one and the same thing.

His unconscious reasoning was as follows: 1. No metal is a fit material out of which to make money of full debt paying power unless its commercial value as *bullion* is as great as its *coinage* value. 2. The commercial value of silver bullion is *now* not one-half as great as its coinage value at the present legal ratio of 16 to 1. 3. Therefore, silver is *now* not a fit material out of which to make full legal tender money. The error in this syllogism lay entirely in the first proposition (or major premise) in which it is falsely *assumed* that the debt paying power of money must necessarily be associated with the material or commercial *value* of the material, of which it is made. This false assumption, by which the world has for ages been held in bondage to the money-changer, was rather con-

firmed than dissipated by the discussions of the campaign.

On the bullion theory of money, the reasoning of the uninstructed voter was without a flaw. Accepting this theory as sound he was easily misled into the belief that the advocates of the free coinage of silver (consisting mainly of the debtor classes) were merely trying to scale down their debts more than one-half, by issuing an unlimited number of (what he believed to be) 53 cent dollars. He therefore readily joined in denouncing them as dishonest repudiators.

By the same false *bullion* theory of money the wage-worker was easily persuaded that under free silver coinage he would get no greater number of dollars for a day's labor, and that inasmuch as the silver dollar would only have one-half the purchasing power of a dollar under the single gold standard, the only effect of free silver coinage upon *his* interests would be to practically reduce his wages one-half.

While many other causes contributed to the final result, it was nevertheless this utterly false conception of the subject of money, that caused the widespread alarm (amounting to positive terror) in the ranks of business men and the laboring classes alike, and defeated Mr. Bryan. All things considered (great as was the disappointment) that defeat was a foregone conclusion. We live under a popular Government, at least to the extent that no constructive legislation can go beyond public sentiment on any question. A practical knowledge of monetary science is only obtained through a *progressive* education, demanding much time and calm consideration; and for this, a single campaign did not suffice.

Upon the cognate question of the proper *distribution* of our volume of money, a question as vital as that of its adequate supply, not a word was heard in the campaign of 1896. It is immaterial now to inquire why this was so, but it was probably due to the belief of party leaders, that it would burden the campaign with too many issues, to attempt to formulate the principles of a proper banking system, in which the interests of the people would no longer be subordinated to those of the money-changers.

The banking interest constitutes the head and front of the "*money power*." It accumulates wealth by making money scarce and dear, and property and labor cheap. It demonetized silver in 1873. It has been the relentless foe of every effort made by the people since then to obtain industrial freedom by enlarging the volume of money (legal tender). It largely holds in its iron grasp the great transportation, manufacturing and commercial interests, and forces them to accept its views on the money question through their indebtedness to the banks. It is in close touch with the Western Union and Associated Press, and dictates the utterances of the vast majority of the metropolitan journals. It furnishes a large share of the corruption funds used in political campaigns, and has no politics, except to use all parties to further its own ends. It corruptly intimidates voters by means of criminal threats (express or implied) to ruin them in their business, unless they will surrender their manhood and prostitute their suffrage, by casting their ballots as it may dictate. Through its influence (direct or indirect) every effort of the people to obtain legislation in *their* interests

has been and is being thwarted. To longer carry on the campaign, therefore, on the money question, without openly and aggressively antagonizing the banks, is like inviting the public to witness the play of Hamlet with the character of Hamlet left out.

Emboldened by the election of Mr. McKinley on a platform which declared *in effect* for gold money only, it has at last openly shown its hand. It now demands that the single gold standard shall be *permanently* established by *law;* that *all* of the partially monetized paper issues of the Government shall be retired from circulation; and that all paper (substitutes for) money shall be issued by the banks; thus usurping the most beneficent of all the attributes of sovereignty, and leaving to the Government only the power to operate the mints at public expense, to coin gold for the banks, and small change for the people.

The full issue in the last campaign, which party leaders did not then foresee, or were not prepared to meet, is now forced upon them by the open demands of the banks. This issue can no longer be evaded. If the contest for industrial emancipation is to continue, it must be met, and the earlier and more courageously it *is* met the sooner will the triumph of the people be.

The foregoing is not written in a spirit of criticism. The movement of large bodies of men is necessarily slow, but forced by our adversaries to move, and holding fast to all good already gained the period for merely "*marking time*" on the silver question has passed, and another step must be taken in advance, in the ceaseless march of progressive reform.

Within the past five years so many able books and pamphlets on the money question have been published that it may seem presumptious in the author to add to their number. He does so because the current literature on the subject seems to him to leave the field still open. He enters it in the modest hope that he will be able to so further simplify a complex question that *all* may readily understand it.

This book is written in the interest of all who are engaged in the production or *legitimate* distribution of wealth. A perusal of its pages is especially commended to those engaged in manufacturing and commercial pursuits (not connected with any trust) whose profits are constantly declining, and who can only be saved from ultimate ruin by the return of a *genuine* and *lasting* prosperity.

CHAPTER I.

MONEY.

Origin of Money.

Human progress began when primitive man abandoned his solitary family life and joined with his fellows in the tribal relation. Protected by numbers, industry was stimulated and diversified, and the rude products of labor were exchanged by simple barter, one thing being traded for another. Where the things exchanged were of equal value (as estimated by their owners) the exchange was readily made by mutual transfer of possession. Where they were not of equal value *change* had to be made by throwing other things into the bargain; and if these other things were not to be had or could not be agreed upon, the trade fell through. The transfer of property by simple barter was, therefore, practically limited to things in hand and of equal (estimated) value, even as it is now. As intelligence increased this obstacle to making exchanges or trades was met by selecting some article of property in general demand, to which a fixed valuation was given, first by custom and afterwards by law, and such article became *Money*. The articles selected varied with the occupations of the communities selecting them,

and there are but few things in general use that have not at some time or place been so selected and used.

With the invention of money transfers of property by *simple* barter almost ceased. Instead of *directly* trading property not needed, for other needed property, the owner first traded it for money and then traded the money for the other property. Thus money became a "*medium of exchange*," and transfers of property by its use are only an *indirect*, but more efficient and *refined*, system of barter.

2.

Importance of Money Question.

Before proceeding further, let the reader carefully consider the following facts:

1. Exclusive of the helpless, and the drones and criminals of civilized society, *all* men are engaged in earning a livelihood by the pursuit of some kind of business.

2. Substantially *all* business rests upon contract. *All* contracts are created either: 1. By the express agreement of the parties thereto, or: 2. Are implied in law from the nature of their dealings with each other. It is impossible to conceive of a business transaction which does not have an express or implied contract as its basis.

3. The law writers define a contract to be "An agreement between two or more persons capable in law of contracting, based upon a *valuable* consideration, to do or not to do a particular thing." Although the law recognizes

that anything which "benefits the promissor or injures the promisee" is a *valuable* consideration, it is still true that in a civilized State the consideration which supports practically *every* contract is an express or implied promise by one of the parties thereto to pay *money* to the other. Hence it is, that (subject to a few trifling exceptions) *every contract involves the creation of debt which can only be paid or discharged in money*. This is as true of cash transactions as those where payment is to be made in the future. The only difference is in the *time* of payment.

Thus we see that to gain the necessaries, comforts, or luxuries of life, we have to do so by following some kind of business; which business all rests upon contract; while every contract creates debt, and every debt must be paid in money. When we reflect, therefore, that in civilized society, succeeding generations exhaust their energies in creating debts, which at the time of their creation, or in the future must be paid in money, gained by ceaseless toil, the importance of the money question sufficiently appears. It practically covers all of the transactions and experiences of life. It meets us at the cradle and follows us to the grave.

3.

What is Money.

In every field of inquiry exact thought is essential to a sound conclusion. As *words* and *terms* are used to

express thought, it is therefore necessary that *controlling* terms should receive precise and correct definitions. Without this, ideas remain vague and without definite form, thought becomes confused, and where disputants do not use the same word or term in the same sense, discussion speedily degenerates into a mere wrangle, which by arousing the spirit of contention, shuts the door which leads to truth. This lack of precise and correct definitions, at every stage of the inquiry, is the most potent cause of the prevalent confusion in the public mind on the money question.

The inquiry "*What is Money?*" has received a multitude of answers from all sorts and conditions of men. Subjected to careful analysis, some of these answers are absurd, others misleading, and others still only partial truths. Let us briefly consider a few of the leading ones given by able exponents of the money question.

The ordinary definition is that money is a "*medium of exchange.*" This is true; but there are many other media of exchange, which it is conceded are not money; such as checks, drafts and credits of almost every kind. In fact, a far greater proportion of the exchanges of the civilized world are effected through these media than by the actual use of money. To define money, therefore, as a "*medium of exchange*" is too indefinite, and hence largely misleading.

Another favorite definition of the authors is that money is the "*creature of law.*" This is also true, and has been so recognized by every civilized government and author of repute on the subject of money, from Aristotle down to

the present time. No one has the right to question its truth, until he can produce at least *one* piece of money that *is* not or *was* not created by law. But, as there is a multitude of other things besides money that are creatures of law, this definition is as indefinite as it would be to define an apple as a fruit raised in the temperate zone. Since there are many such fruits, the latter definition would give us no very clear idea as to what an apple is.

A far better definition is given by Senator John P. Jones, who defines money as a "*business function.*" It is true that money performs a business function, but without elaborate explanation this definition gives no clear conception of what *it is*, nor of the function which it performs. It is, therefore, a partial answer only.

In fact, money is a composite thing, made up of an ideal conception, impressed upon a material substance which represents such conception. As the U. S. Supreme Court well says: "The gold or silver thing we call a dollar is in no sense a standard of a dollar. It is a representative of it."*

To give a correct and complete definition of money we must first ascertain whether money does more than one thing. If it only does *one* thing then a correct description of that *one* thing will properly define it. In truth money has but *one* use and does but *one* thing. That *one* thing is the *payment or discharge of debt.* No matter of what material money may be made, as long as it remains in the form of money, the only use to which it can be put is its monetary use; and therefore money

*Legal Tender Cases, 12 Wall., 553.

express thought, it is therefore necessary that *controlling* terms should receive precise and correct definitions. Without this, ideas remain vague and without definite form, thought becomes confused, and where disputants do not use the same word or term in the same sense, discussion speedily degenerates into a mere wrangle, which by arousing the spirit of contention, shuts the door which leads to truth. This lack of precise and correct definitions, at every stage of the inquiry, is the most potent cause of the prevalent confusion in the public mind on the money question.

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*Legal Tender Cases, 12 Wall., 553.

has no other value than its monetary value, since all values spring from use. If money be made of a metal having a commodity use (and consequent value) when uncoined, as soon as it *is* coined and as long as it remains in the shape of coin, such metal has no other use (or value) than its monetary *use and value in the payment or discharge of debt.* This is because when a metal is coined into money it ceases to be a commodity, and when changed back into a commodity it ceases to be money. Therefore a metal cannot have both a commodity and monetary use (or value) at one and the same time.

It is the universal demand for money in the payment of debt that gives to it *all* of its *real* value, as distinguished from its *nominal* valuation stamped upon it by law. The stamp of the Government only makes it "*money of account*" at its nominal valuation, but its entire real value arises from this demand. If all the gold, silver and paper money in the world was heaped up in a pile, as long as it remained in the form of money, the whole would not be worth as much as a barrel of flour, if there *was absolutely no demand for it in the payment or discharge of debt.*

As sovereign power only can create money, and as money has only *one* use, it is properly and fully defined as *consisting of any material substance upon which the law has conferred the power of paying or discharging debt, with or without the consent of the person to whom the debt is due.* In other words, it is the *legal tender quality* only that converts any material substance into money; and this it does wholly independent of the material of which the money is made.

4.

What is Not Money.

No intelligent and candid person will deny that the last preceding definition of money is correct. Being so, the *converse* of the proposition is equally true, viz: that *nothing is* money upon which the law does *not* confer the power of paying or discharging debt. Here again we find the same confusion of thought caused by misleading terms or definitions. Thus, in common speech and the current literature on this subject, we constantly meet with such terms as "*money of intrinsic value*"—"*token money*"—"*primary money*"—"*credit money*" and "*money of ultimate redemption.*" Let us briefly consider them.

The term or phrase "*Money of intrinsic value*" is used to designate money made of gold and silver, although the advocates of the gold valuation school are now trying hard to limit its meaning to gold alone. In argument it is the sheet-anchor of those who still cling to the delusion that the *real* value of money rests upon the commercial value of the uncoined bullion of which it is made, instead of the *universal demand* for it in the payment or discharge of debt.

A little thought will show that *no material* substance has *any intrinsic* value. Such substances have intrinsic *qualities* which fit them for *use*, and when so used they become valuable. Their value is the product of *use* and does not reside in the substances themselves. Were this not so, an ounce of gold buried in the earth so deep that the hand of man could never reach it, would be as valua-

ble as another ounce of gold held in *your* hand and *you* the owner of it.

The terms "*primary money*" and "*money of ultimate redemption*" as well as that of "*money of intrinsic value*," are also used to convey the further idea that only gold and silver (or gold alone) are fit materials out of which to make money (of full debt-paying power); and the terms "*token money*" and "*credit money*" to designate the promissory notes of the Government, or of private banking corporations not made legal tender by law, but to be paid or *redeemed* in money that *is*.

The phrase "money of ULTIMATE REDEMPTION" was originally used to designate *legal tender money*, in which alone such promissory notes were to be *paid* or *redeemed*. At that time (before the issue of legal tender paper) gold and silver coin was the only legal tender known to our laws. Thus the terms "*money of intrinsic value*" and "*money of ultimate redemption*," taken together, became erroneously associated in the public mind with the idea of the *material* of which our legal tender money was then made, instead of its *legal tender quality* in the payment or discharge of debt. This erroneous association of ideas still remains, and without it the advocate of (legal tender) money to be made of gold only, to serve as our sole measurer of *price*, would be without an argument or prejudice to support his contention.

So the terms "*token money*" and "*credit money*" are wholly misleading. They convey the erroneous idea that they are *money* of some kind. As no form or device of credit can pay the smallest debt without the consent of

the creditor, they both lack the one thing needful to make them *money*. For the same reason bank credits, checks and drafts, frequently spoken of as "*credit currency*," fall into the same category.

In short, *all* of the known devices of credit, instead of being *money* are only *substitutes for money*, to which the business world is compelled to resort because of the scarcity of actual money, and not (except in minor degree) because of their convenience or alleged superiority over the use of actual money in carrying on the exchanges of the people, by paying the debts which every such exchange creates. As nothing is *money* upon which the law does not confer the compulsory power of paying debt, whenever the word *money* hereafter appears, let the reader remember that it is used to describe *legal tender* only, as distinguished from all *substitutes* for money.

5.

Price, as Affected by the Supply of Money.

Sub-division 2 of this chapter shows how all business, by which men earn their living, results in the creation of debts, which must be paid in money. To gain money, therefore, with which to pay these debts is the ultimate aim of all industry. Hence it follows that the greater the gain the easier will the necessaries, comforts, or luxuries of life be supplied to those who labor for them with head or hand. The *degree* of this gain depends upon *price*.

Price is the quantity of money which a given amount of labor or property will bring. Upon *price*, therefore, depends the *profitableness* of all business, whether such business consists merely of the sale of a day's labor, or the transfer of property, however great or small. When we speak of prices being high or low, we mean that the quantity of money which a given amount and kind of labor or property will bring, is greater or less than it formerly was. So also we have a *general level of prices* affecting all, or nearly all, kinds of labor and property, and a *special price level* affecting only one or a few kinds, and which may be higher or lower than the general level, owing to causes specially affecting their supply and demand.

The *price* of labor and property is determined by two factors, viz: 1. By the law of supply and demand as affected by their relative scarcity or abundance; and, 2. By the quantity of money (not in existence) but in general *circulation* among the people. The first of these factors is of world-wide operation and its truth is accepted by all. The second is the subject of fierce contention.

Its truth is denied or evaded by nearly all of those whose personal interest is advanced by an insufficient supply of money or by the control of the distribution of its volume. These persons well know that the acceptance of this second factor in the control of *price*, coupled with the wise and prudent exercise by the Government of its sovereign power to create money by conferring upon *any appropriate* material substance the legal function of paying debts, would soon end their reign of greed and restore

permanent prosperity to the people. They know that if general prices are restored to a normal basis, so that a decent *surplus* of profit, over and above the cost of a comfortable living, will remain to honest labor, that debts will, *in time*, be paid out of such surplus, debtors released from the eternal grind of interest charges and again enjoy "equality of opportunity in the race for life." They well know that the restoration of this equality means the downfall of the money monopoly and the general relegation of those who profit by it, to the uncongenial task of creating or legitimately distributing wealth, instead of absorbing the wealth of others through their debts forced upon them by constantly fluctuating or falling prices. For these reasons they *deny* that the quantity of money in general circulation affects prices, and assert that prices are determined *solely* by the law of supply and demand. In this they wholly ignore the fact that money is *itself* subject to that law. Brief thought will show this.

No matter of what material money may be made, it is *primarily an article of exchange*. It differs from any other article of exchange only in the fact that the *law* has conferred a certain legal quality or attribute upon it, viz: the power of paying or discharging debt. It is something which can be exchanged (traded) for any kind of labor or property, and for which any kind of labor or property can be exchanged. Within the limits of the nation whose sovereign power creates it, it is, therefore, not only an article of exchange, but it is *there* an article of *universal* exchange. It is only because it is so, that it becomes *fit* to serve the purposes of a "*medium of exchange*."

No note is taken *here* of what is called *international money*. There is no such money. Only sovereign power can create money, or make the money of other nations a legal tender within its limits. Whenever the money of any nation crosses its own borders it ceases to be money abroad, because it cannot there pay the smallest debt without the consent of the creditor. It again becomes money when it returns to the land of its creation. Whenever the money of one nation is a legal tender within the limits of another nation, it is because the latter nation has made it so *by its own laws* or by an agreement to that effect with the nation that issued it.

Money, therefore, being primarily an article of exchange, like any other article of exchange, it is *itself* subject to the law of supply and demand. Hence in obedience to that law it follows that (other things remaining the same) the more dollars there are in general circulation and the easier it is, therefore, to get them, the more of them will it take to buy a given amount of labor or property, and the *price* of such labor and property will rise; and, conversely, the fewer dollars there are in general circulation and the harder therefore it is to get them, the less of them will it take to buy a given amount of labor or property and the *price* of such labor and property will fall. The reason why the *price* of labor and property will thus rise or fall with the supply of money, is because *price* is the number of dollars or amount of money, computed at its legal valuation, which such labor or property will bring. Hence money, in addition to being an article of exchange, a medium of exchange, and legal tender in the payment of debt, is also a measurer of *price*.

Here again we must be on our guard in the use of terms and definitions. There is probably no one thing which has more confused the public mind on the money question than the failure to discriminate between the meanings of the words *price* and *value*. Not only are they generally used in common speech as meaning the same thing, but they are also carelessly so used by authors of repute, and in the very laws regulating the coinage of money. Thus (for illustration) in the law of 1873 demonetizing silver, it is said, "that the gold coins of the United States shall be a one dollar piece which * * * shall be the *unit of value*," etc. The use of the word *value* in this connection is utterly misleading. No law can give any value to *money*. It can *supply* the money, which is always in unlimited demand for the payment of debt, but it is this *demand* for it which gives it all of its actual value, and not the law which creates the supply. In the above connection all that the law of 1873 could do, or has done, is that it made the gold dollar instead of the silver dollar the unit of *valuation* (not value), or unit of *account*. As the figure 1 (with its multiples and fractions) is the unit of enumeration in computing numbers, so the dollar (with *its* multiples and fractions) is the unit of *valuation*, (or account) in computing *price*. *Value* relates to *utility*. *Valuation* to *price*. Had the word *valuation* instead of *value* been always used by authors and lawmakers to describe our monetary unit much confusion of thought and speech would thereby have been avoided.

6.

Price, as Affected by the Use of Substitutes for Money.

The conclusion above arrived at, that (other things remaining the same) *prices* are absolutely determined by the amount of money in general circulation, is also denied by many, whose personal interests are *not* advanced by an insufficient money supply. These persons (giving heed to the business conditions existing before and after the panic of 1893 began) say that under the then supply of money general prices were good, business profitable, and labor at fair wages in almost unlimited demand. They also say that since that date, although the supply of money has been increased by more than an hundred millions, prices have gone down at a ruinous rate, business been the open door to bankruptcy, and millions of workmen out of employment and on the verge of starvation. They then *fairly* and *honestly* ask the question that "since prices were good in 1893, under a given supply of money, and became ruinously bad immediately thereafter, and have remained so under a much *larger* supply, how it is possible that *prices* can be determined by the supply of money?"

When their attention is called to the fact that it is not the quantity of money *in existence*, but in *general circulation* that determines *prices*, and that the panic was caused by the banks locking up the money in circulation and refusing to lend it out again, thereby causing a dearth of money available for use and the consequent fall in prices, they answer that this *proves* that the panic was *not* caused by an insufficient supply of money, but by a

lack of *confidence* in the soundness of our financial system on the part of our business interests in general and of the banks in particular.

It is now fully known that the panic of 1893 was the direct result of a deliberate conspiracy formed between the *controlling* national banks in New York and the Cleveland administration, to fasten gold money as our sole legal tender upon the country. This they proceeded to do by forcing Congress to repeal the silver purchasing clause of the Sherman Law through the pressure of public opinion, when terrified by impending universal bankruptcy, combined with the corrupt use of the public patronage. One must be blind indeed who *now* thinks that the banks were the unwilling victims of a false financial system which compelled them *against their will* to bring havoc and destruction upon the industries of the land.

No! it was not lack of confidence in the soundness of our monetary system that caused them to call into their vaults the money that was due them and refuse to lend it out again. It was because the ever recurring time in the banking business had come when it becomes *necessary* to avert imminent danger of ruin to the *banks themselves* by refusing further loans and calling in those already made, and thus creating a panic. This danger was due to the *over-trading* of the banks, against which our national banking system provides no efficient safeguard, and this *over-trading* was brought about by the system of bank loans based on their *deposits* and *re-deposits*, universally practiced by all banks and hereafter explained.

So the controlling New York national banks shrewdly

concluded to accomplish at one stroke the double purpose: 1. To avert the danger of ruin to themselves (due to their own over-trading) by putting a stop to all business and increasing their cash reserves, by forcing their debtors to pay their debts at a ruinous sacrifice of their solid property, and, 2. To conceal the true reason for their conduct, by shifting the blame for the panic which ensued from their own shoulders, and placing it upon the silver purchasing clause of the Sherman Law, whose repeal they ardently desired as the first step toward the permanent establishment of the single gold standard.

This was suspected at the time of the panic by those familiar with the condition of those banks, and the conspiracy was afterwards conclusively proved by Mr. J. W. Shuckers (private secretary of Salmon P. Chase when the latter was Secretary of the Treasury in the Cabinet of Lincoln) in his book entitled "*The New York Bank Presidents' Conspiracy*," a copy of which was sent by him to the president of every national bank in the United States; by none of whom was a single fact therein contained ever denied, although such denial was freely challenged by its author.

The close connection between the banking system and the periodical return of monetary panics will be hereafter explained. We are *now* concerned only with the question of how *prices* are affected by the use of the *substitutes* for money usually resorted to by the banks. Although there are several devices of credit employed by them as such *substitutes*, the present inquiry will be limited to bank loans (commonly called bank credits), based upon bank capital, deposits and re-deposits.

These loans or credits serve as *substitutes* for money as follows, viz: when money is borrowed of a bank it is customary for the borrower to again deposit it with the bank lending it. He then checks against this deposit, consuming, as a rule, considerable time before his deposit is exhausted. To the borrower to whom the bank has given this right to draw checks upon it to the aggregate amount borrowed, this credit at the bank answers all of the purposes of actual money in hand, as long as the bank remains solvent and pays his checks as presented at its counter.

Where the money borrowed is not again deposited, but actually received by the borrower in cash at the time of the loan, and by him paid out in his business (as well as in cases where it is paid out upon check by the bank), it is again deposited by those who receive it, and returns again and again to the bank (or some other bank) and repeatedly serves as the basis for new loans or extensions of credit, which do the work of actual money as long as no storms are brewing in banking or business circles.

Some conception can be formed of the stupendous extent to which the business of the country is carried on by the use of bank credits as a *substitute* for money by reference to the following table showing, in round numbers, the amounts of paid in capital, cash on hand, and loans and discounts, of all the banks in the United States on September 30, 1892:

Capital Stock (paid in).

National banks	$686,000,000
All other banks	386,000,000
Total capital	$1,072,000,000

Cash on hand.

All items (in all banks)	586,000,000

Loans and Discounts.

National banks	2,153,000,000
All other banks	2,208,000,000
*Total	$4,361,000,000

Deducting their entire capital and cash on hand these loans and discounts amounted to $2,703,000,000, which sum may fairly be said to represent the amount of fictitious bank credits based upon the deposits and re-deposits of the banks, being about three times the amount of money in existence outside of that in the National Treasury and vaults of the banks.

As the debts to the banks, created by these loans (extensions of credit) are constantly being paid up, and the money paid lent out to others, and by them usually redeposited, and a credit at the bank accepted by the borrower in lieu of actual money, these bank credits (for the time being) serve the purposes of a circulating medium and temporarily have the same effect as actual money upon *prices*.

7.

Power of Congress Over Money, Exclusive and Complete.

On December 31, 1861, the banks chartered under State laws suspended specie payments. All gold and

*Report U. S. Comptroller 1892, pp. 84, 85, 86, 128.

silver coin at once disappeared, and the only money left in circulation consisted of fifty millions of United States demand notes, issued during the preceding summer, and the thoroughly discredited issues of the State banks. To stimulate the industrial energies of the nation and supply the means to successfully prosecute the war to preserve the Union, Congress in February, 1862, began to issue United States promissory notes (greenbacks), which, under the law authorizing such issue, were made a legal tender in the payment of all private debts, whether contracted before or after the passage of the law.

For many years afterwards it was a controverted question whether Congress possessed the constitutional power to make anything but gold and silver coin a legal tender in the payment of private debts, and the power to do so was especially denied in the case of debts contracted prior to the passage of the law. In 1869, the question was decided by the Supreme Court, which held that Congress had the power to make paper money as well as gold and silver coin a legal tender in the payment of private debts *contracted after but not before* the passage of the law. Seven judges participated in the decision, and it was concurred in by a majority of one only.

Knowing that this decision if left to stand as a precedent would strip the nation of its greatest and most necessary power of offense and defense in time of war, and thus commit its future destinies to the tender mercies of the money changers, the Republican party (which in anticipation of an adverse decision, had on April 10th, 1869, passed a law through Congress, increasing the number of judges from eight to nine) at once reorganized

the Court by appointing the additional Judge and filling a vacancy caused by the recent resignation of Mr. Justice Greer.*

The same question was then again brought before the full bench as reorganized, and the former decision was *reversed*, the Court holding that the legal tender law was constitutional, whether applied to debts contracted *before* or *after* its passage.† In his concurring opinion Mr. Justice Bradley, in strongly enforcing the view that it was not only a constitutional power but also a *duty* of Congress to provide a national currency, said: "When the ordinary currency disappears, as it often does in time of war, when business begins to stagnate and general bankruptcy is imminent, then the Government *must* have power at the same time to renovate its own resources and to revive the drooping energies of the nation by supplying it with a circulating medium. *The heart of the nation must not be crushed out. The people must be aided to pay their debts and meet their obligations. The debtor interest of the country represents its bone and sinew, and must be encouraged to pursue its avocations. If relief were not afforded universal bankruptcy would ensue, and industry would be stopped, and the Government would be paralyzed in the paralysis of the people.*"

From the stress laid in the opinion of the Court upon the fact that the legal tender law was passed in a time *of war*, it was largely believed that the Court upheld the law as a *war measure* only, and that it would not sustain this power in Congress if exercised by it in a time of peace.

*16 Stat. at Large, p. 45.
† Legal Tender Cases, 12 Wall., p. 457.

But in 1883, thirteen years after the rendition of that decision, this precise question came before the Court. Ex-Senator Geo. F. Edmunds, one of the counsel in the case, in a vigorous argument and brief, sought to limit the scope of that decision to that view, but the Court rejected his reasoning, and all the Justices (but one) concurring in the opinion, disposed of the question in the following words:

"Congress is vested with the exclusive exercise of the * * * power of coining money and regulating the value of domestic and foreign coin, and also of the paramount power of regulating foreign and inter-State commerce. Under the power to borrow money on the credit of the United States and to issue circulating notes for the money borrowed, its power to define the quality and force of those notes as currency, *is as broad as the like power over a metallic currency*, under the power to coin money and to regulate the value thereof. Under the two powers taken together Congress is authorized to establish a national currency *either in coin or in paper*, and to make that currency *lawful money* for all purposes as regards the National Government *or private individuals*. The power of making the notes of the United States a legal tender in the payment of private debts, being included in the power to borrow money and provide a national currency, is not defeated or restricted by the fact that its exercise may affect the value of private contracts.

"Such being our conclusion in matter of law the question whether at any particular time, *in war or in peace*, the exigency is such, by reason of unusual and pressing

demands upon the resources of the Government, or of the *inadequacy of the supply of gold and silver coin* to furnish the currency needed for the use of the Government *and of the people*, that it is, as matter of fact, wise and expedient to resort to this means, *is a political question to be determined by Congress, when the question of exigency arises, and not a judicial question to be afterwards passed upon by the courts.*"*

These two decisions, the most far-reaching in their scope of any that have ever emanated from that Court, have for twenty-seven years been the settled law of the land. No subsequent decision has modified or belittled them. They stand as enduring monuments to the aggressive patriotism of the Republican party while it was still the champion of the interests of the common people and before it became identified with the policies of class legislation and its management corrupted by intimate association with the "*Money Power*."

The above quotations are inserted here because: 1. Since those decisions were made a new generation has arisen, upon whose minds the advocates of gold money only are endeavoring to impress the idea that it would be an act of *political dishonesty* to end the curse of a constantly appreciating (and, therefore, dishonest) measurer of prices by the exercise of the powers therein declared to be a *duty resting upon Congress* as the guardian of the interests of the Government and people, and, 2. To show that the whole subject of our currency is under the unquestioned control of the people through their representatives in Congress. A careful perusal of the entire text of those decisions would, by itself, be a liberal education in patriotic duty.

*Jouillard vs. Greenman, 110 U. S. Rep., 448-450.

The subsequent chapters of this book will be devoted to the practical application of the principles heretofore discussed to the present and future business interests of all those engaged in the production or legitimate distribution of wealth.

8.

Summary of Argument.

To emphasize the ultimate thought which this chapter is intended to convey, let us again and more fully summarize the argument. Thus: 1. To gain a livelihood we must all engage in some kind of business. 2. All business rests upon contract. 3. Every contract creates debt. 4. Every debt must be paid in money. 5. Money is any material substance upon which the law confers the compulsory power of paying debt. 6. It can only be created by law. 7. It can only be honestly gained by labor. 8. The amount of it which labor can gain depends upon *price*. 9. Other things remaining the same, *price* depends wholly upon the quantity of money in general circulation, and, 10. The people (through Congress) having the exclusive and complete control of the sovereign powers: First, to create money; second, to determine its quantity; and third, to regulate its distribution; have thereby complete control over the *price of all labor and property*, and hence the absolute control of *prosperity*.

CHAPTER II.

BANKS AND MONETARY PANICS.

General Nature of the Banking Business.

The matter in this book on the subject of banks is written without prejudice against those who conduct them. In point of general intelligence bankers compare favorably with other educated men, and they thoroughly understand the *practical* part of their business, viz: The art of absorbing wealth by collecting interest upon a little money of their own (bank capital); upon much more money of others (cash deposits), and several times as much more upon bank credits, their most lucrative *substitute* for money.

A fully organized modern bank is a bank of issue, exchange, deposit, and discount (loans). Let us in a familiar way get at the general nature of these different departments of its business.

1. You (the reader) needing money, borrow it of a bank. The bank "*accommodates*" you by giving you its promissory notes (bank bills *bearing no interest*) and you in return give to the bank *your* promissory note (*bearing interest*) and its payment properly secured;

This is a Bank of Issue.

2. You have to pay a debt at some distant point. To save express charges, instead of sending the *money* to your creditor, you give it to a local bank, and the bank

in return gives you an order (draft) upon some other bank. You send this order to your creditor, who takes it to the bank upon which it is drawn, or to another bank willing to cash it, and thus your debt is paid;

This is a Bank of Exchange.

3. You have some money for which you have no immediate use. So you give it to a bank for "*safe keeping*," and the bank in return agrees to pay it back to you *without interest*, on your demand. In this you surrender up your cash and accept instead a credit at the bank;

This is a Bank of Deposit.

4. Your neighbor, needing money, goes to the same bank to borrow it. The bank sets aside (reserves) a small proportion of the money you have just deposited to pay you back with when you call for your money again, and lends the remainder to your neighbor, taking his note, *bearing interest* and properly secured;

This is a Bank of Loans and Discounts.

Under our National Bank Act a national bank can lend from 75 to 85 per cent. of its deposits. When you deposited (say $100,000) you knew that the bank intended to lend and collect interest upon this proportion of your deposit. While you deposited your money for "*safe keeping*" you also knew that the "*burglars*" on the inside of many banks are far more dangerous than those on the outside. But you had confidence in your particular bank and were willing to assume the risk of its failure, because it was a convenience to you to conduct your business by the use of bank checks, and *especially* because

you thought you could the more readily obtain a bank "*accommodation*" in the future (if needed) by giving the bank the use of your money in the meantime for nothing.

When your neighbor applied for his loan the bank would not "*accommodate*" him, unless he would re-deposit the amount borrowed, and draw it out gradually upon his check. This enabled the bank to collect interest upon the entire amount borrowed from the date of the loan, and at the same time gave it the use of all undrawn balances, to be again and again lent out at interest in the shape of bank credits, thus solving the old problem of "*how to eat your cake and have it, too,*" which had been the world's despair until the modern bank furnished the solution. On the strength of your deposit of $100,000, the bank now owes you that amount and your neighbor $75,000, re-deposited and falsely carried on the banks books as a deposit in *cash*.

To show the extent to which the practice of lending bank *credit* (based upon deposits and re-deposits), calling it *money* and collecting interest on it, can be, and often is carried where a local bank wants a "*boom*" in its business, the following tables are inserted, each deposit being less than the preceding deposit by the amount of the reserve required by law.

Bank keeping 25 per cent reserve.				Bank keeping 15 per cent reserve.			
Cash deposit			$100,000.00	Cash deposit			$100,000.00
1st Loan deposit			75,000.00	1st Loan deposit			85,000.00
2d	"	"	56,250.00	2d	"	"	72,250.00
3d	"	"	42,187.50	3d	"	"	61,412.50
4th	"	"	31,640.62	4th	"	"	52,202.62
5th	"	"	23,730.46	5th	"	"	44,370.51
6th	"	"	17,797.84	6th	"	"	37,729.21
7th	"	"	13,348.88	7th	"	"	32,069.62
8th	"	"	10,011.75	8th	"	"	27,259.24
Total			$369,966.55	*Total			$512,348.90

*Key Note, p. 28.

And so, reader, upon your *cash* deposit of $100,000 and the repeated loans of bank credits based upon it, under the system of loans on re-deposits, the bank has contracted debts to you and the re-depositors who have borrowed bank credit based upon your money, to the amount of $369,000.00 in the one case and $512,000.00 in the other, and still has unexhausted and ready to loan as much more *bank credit* as can be based upon the remaining $10,000.00 or $27,000.00 respectively.

When we add to the amount of interest-bearing bank loans based upon *cash deposits*, those also based upon bank *capital*, it will be readily seen that although banking transactions are described in *terms of money*, they are almost wholly made up of *fictitious credit*. This is not denied. In fact it is the stock argument of the banks and of all advocates of the gold valuation school, who draw their inspiration from them; that we *now* have no use for much actual money, because the business of the country is better conducted by the present system of interest-bearing *bank credits* than it would be by the enlarged use of actual money. That the present system is much more profitable to the *banks* admits of no denial, but the truth of their contention can be established *only* when it is proven that the *shadow* of a thing is better than its *substance—credit* better than cash.

2.

Stability in Business.

Since to earn a living we must do so by engaging in

business, all of which creates debts which must be paid in money, it is an absolute necessity that our business shall be *stable*, so that our prudent calculations of *profit* may not be changed to *loss*. As profit depends upon *price*, and *price* (other things remaining unchanged) depends upon the amount of money in general circulation, it is *another* absolute necessity that no one shall have the power to corner or control the supply of money, or *destroy at will* any *substitute* for money, in general use and affecting the general level of prices. This power the banks now have and exercise under their system of substituting interest-bearing bank credits for cash in business transactions. The *controlling* national banks in New York can at any time annihilate these credits, as they did in 1893, by refusing further discounts and calling in their loans. Such a power is dangerous to liberty and greater than any ever exercised by the most despotic government in a civilized State; and yet the national banks are permitted by law to exercise it, without hindrance or responsibility, and with no safeguard for the people, except the view which the banks may take of their own selfish self-interest.

3.

The System of Bank Credits Compels Periodical Monetary Panics.

The extreme danger to our business interests of this arbitrary and irresponsible power, lodged in a few private corporations, is apparent. It is said, however, in its defence, that the danger is apparent only, not real. That the banks do not desire panics, that they all suffer severely, and many of them are ruined thereby. All this may be conceded, but the fact remains that the system of expanded bank credits in the end *compels* the *controlling* banks to periodically bring on a monetary panic as their only means to save *themselves* from ruin.

On September 30, 1892, the aggregate of debts due from all the banks in the country to their depositors was $4,677,000,000. Of this amount the sum of $3,008,000,000 was subject to check and payable on demand, while the amount of cash on hand was only $586,000,000, or more than $5 of demand obligations to $1 of money with which to meet them; and if the savings deposits of $1,712,000,000, subject to payment on conditions (usually short notice), be added, amounting to more than $8 of debt to $1 in money.*

Under this condition of ever increasing debts, due from the banks to their depositors, caused by the ever expanding system of fictitious bank credits, combined with a relatively stationary or diminishing supply of money with which to meet them, it is plain that the time *must* come when any unusual demand for money due to any foreign or domestic disturbance in business, will burst this widely expanded bubble of credit, and banks and people alike go down together in a common ruin. This is true even of the most conservative banks which are compelled to follow the lead of the speculative banks, as will hereafter appear.

* Report U. S. Comptroller of Currency for 1892, pp. 85, 128.

To avoid this the stronger or controlling banks are periodically forced to refuse further credits and call in their loans. This snuffs out all bank accommodations which had been doing money work by acting as a *substitute* for money. A panic ensues; the actual money in circulation is hoarded, prices disappear, profits are dissipated, and the creditor classes generally proceed to absorb the wealth of their debtors by attachment proceedings, the foreclosure of mortgages, or the ruinous sacrifice of collaterals.

So periodical is all this under the modern system of banking that many people are led to believe that monetary panics follow some mysterious law in the business world, and are as inevitable as the recurrence of cyclones and tornadoes in nature. Yet it is as clear as anything can be that they are due to artificial causes only, created or permitted by *law*, and that *law* can greatly mitigate their severity, or wholly prevent them.

Banks of issue were first created and are still maintained to eke out the scanty supply of coin, always inadequate in an era of business expansion. This they do by the issue of their promissory notes, permitted by law to circulate as money *substitutes*, to be kept at par with coin by being made redeemable in coin. For this purpose it was supposed that one dollar in coin was a sufficient *reserve* to keep three dollars in bank notes at par, on the theory that only a small amount of such notes would be presented for redemption at one time.

The legal right to collect interest upon their debts, evidenced by their promissory notes (bank bills), was an unjust concession to the banks. The right to collect interest upon the greater portion of their deposits (their debts again, in another form) was a still more unjust concession. As greed soon fattens upon what it feeds upon, it was not long before the banks learned to collect additional interest upon billions of fictitious credit, based in part upon their capital, but mainly upon the cash deposits and re-deposits of their customers.

Favored by these unjust concessions and advantages, they have now grown so powerful that they dominate the earth. Through their power to raise or depress prices almost at will, by expanding or contracting their fictitious credits, they hold all industry in the hollow of their hand. No business can now prosper without their direct or indirect permission. Nations can no longer go to war to vindicate their honor without first gaining their consent. The greatest burden which civilization has ever imposed upon mankind, they now pose before the world as the supporters of its industries and the conservative saviors of society.

Remember, reader, that when you (and others) deposited your cash with them for "*safe keeping*" you supplied them with the means to reduce you to bankruptcy by using your money to expand their fictitious credits, and that when these credits are *sufficiently* expanded they *must* do so to save *themselves* from ruin.

4.

Why the Controlling Banks Want a Comparatively Small Supply of Money and Falling Prices.

At the International Monetary Conference held at Brussels in 1892 it was strongly urged by the delegates favoring a return to the free coinage of silver, as well as gold, that without this *prices* must continue to fall (under the influence of an inadequate supply of money), until the civilized world would gradually sink into abject poverty through the continuous loss of profit, caused by such continuous fall in prices. Mr. Bertram Currie, one of the British delegates, and a banker, without denying the truth of this contention, objected to any step that would cause a rise in the general price level of commodities, as being entirely opposed to the economic doctrines accepted in Great Britain.* Referring to this subject again in an interview after the conference had adjourned, he was currently reported in the public press as declaring, with brutal frankness, that "*he was in favor of low prices, because low prices benefitted him in his business.*"

Inasmuch as low, or continually falling prices, are, in the end as ruinous to a bank doing a legitimate business as they are to the people, it can only be inferred from this remark by Mr. Currie: 1. That he wholly ignored the patent fact that the continued prosperity of a legitimately conducted bank absolutely depends upon the continuous prosperity of its customers, or, 2. That *his* was one of those banks conducting mainly a speculative business in

*Report of U. S. Commissioners, p. 97.

commodities or securities by causing the alternate rise and fall in prices, by the alternate contraction and expansion of bank credits or accommodations.

These *speculative* or *plunging* banks set the pace which all other banks are compelled to follow. When the speculative banks freely grant accommodations all others must do the same or lose their customers. When, on the contrary, they contract their loans, all others must do so also, because they dare not continue their usual accommodations to their customers in the face of the business depression and falling prices, which such contraction by the speculative banks inevitably cause. Thus under our present banking system where the loans of the banks are almost wholly based upon the deposits and re-deposits of their customers, and without any *legal proportion* being established between the *amount of their capital* and the *authorized amount of their loans*, these speculative banks, whose principal business it is to gamble in prices, are, in reality, the *controlling* banks.

Had Mr. Currie been speaking for the speculative or controlling banks in this country, and been equally frank in explaining *how* and *why* low or falling prices benefit banks of the class to which *his* evidently belonged, he would have further said:

"Prices are determined by the quantity of money in general circulation. The free coinage of silver will double the supply of money. This increase in the money supply will advance prices *without reference to us.* As it is to our interest to *control* prices, so that we can speculate upon their fluctuations, we can do this by limiting the

supply of money. This is the main reason why we aided the bondholders (who wanted to increase the value of their bonds) to demonetize silver, and to stop which is the main reason why the industrial world is now trying to remonetize it. By limiting the supply of money we can force the people to use our interest-bearing bank credits, over which we have absolute control as a *substitute* for money. We can then lower prices at will by gradually contracting the volume of our credit. The consequent fall in prices will leave to business no surplus of profit, and the people will run in debt. When they get in debt they will have to borrow money and pay interest upon it. To borrow money of us, they must make it to *our* interest to "*accommodate*" them. Knowing this they will be forced to deposit with us the money they take in in their business as the basis for a future accommodation. This will give us the use of a very large share of all the money in the country, upon which we can lend the people an almost unlimited amount of interest-bearing credits, *based upon their own cash deposits*, and the system of loans on re-deposits which we have devised, and which we palm off on our customers for cash.

"Of course we cannot keep this going forever, but when our debts to our depositors grow dangerously large as compared with the amount of money which we have on hand to meet them, we will again fill our vaults with money by refusing further discounts, calling in our loans and enforcing their payment by the sacrifice of the collaterals we hold. We will thus collect in money the debts due us, and also gain the difference between the amount

of the debts and the value of the securities. Then when the period of "liquidation" is over we will announce that our confidence is restored and that we are again ready to extend "*accommodations*" to the public on good security. This expansion of credit will again raise prices. We will then sell out the property absorbed by the "*liquidation*," at advanced figures, and then begin to lower prices again by gradually contracting our credits or loans. We will thus continue to work all industry for all time for our benefit.

"On the other hand, if the supply of actual money is sufficiently increased, prices will also rise to a level, which will leave to labor and business of all kinds a normal surplus of profit. But *this* rise will rest upon actual *money* instead of our phantom *bank credits*. Prices, therefore, will be *stable*, and we will not be able to raise and lower them at will, and thus speculate upon their fluctuations created by our control of the circulating medium through the use of our favorite *substitute* for money. This *stable* surplus of profit, caused by increased prices, will make it unnecessary for the people to pay interest upon borrowed money. If already in debt, it will enable them, *in time*, to pay their debts, both principal and interest, and when they once get out of debt and have no further need to pay interest upon borrowed money or bank credits, what will then become of *our business*, and what will become of us?"

Had his candor lasted a little longer, he would have continued: "But it will never do to let the people know all this. They must not discover the mysteries of the

banking system, nor how simple the money question is. We must talk of the '*intricacies of the financial problem*,' and refer them to the '*experts in monetary science*.' We must tell them that this is an age of evolution, and that our present system of conducting business by the use of checks, drafts, and interest-bearing bank credits, instead of money, is only the '*evolutionary product of a higher civilization*.' We must make ourselves merry at the expense of those who question this, and laughingly remind them that their crude notions are only prevalent in half-civilized countries like Mexico or China. We must make our great metropolitan journals and the scribes who write the articles for the patent insides (which we furnish free to the rural press), constantly urge that we no longer have any use for money, except a small sum to do our retail business with, and enough more to settle in our clearing houses the trifling amounts left, after balancing the checks and drafts of our different banks passing through them. And in those portions of the West and South where there is such a dearth of money that the people have largely returned to the primitive system of simple barter in making their exchanges, we must convince them that what they need is not more money to pay the debts created by their business, but more '*bank power*'—more banks to lend them fictitious bank credits, at interest, and thus sink them deeper still in debt."

We have thus seen how bank credit based upon deposits and re-deposits enable the banks of the United States to collect interest upon more than four times the sum which they have put into their business in cash. But the general average of all the banks fails to do justice to the

extent to which these credits can be expanded in the case of particular banks. Thus in 1892 the condition (in this respect) of the Chemical National Bank of New York shows up in round numbers as follows:

Capital Stock (paid in)	$300,000
Undivided Profits	997,000
Surplus Fund	6,000,000
Individual Deposits	23,000,000
*Loans and Discounts	23,000,000

Thus it appears that upon a capital of $300,000, by the use of *bank credits* based almost wholly upon other peoples' money (cash deposits) and under the system of re-deposits (loan deposits) above explained, this bank, in 1892, had accumulated $1,000,000 of *undivided* profits, $6,000,000 of a surplus fund, and was collecting interest upon $23,000,000 of loans. The report fails to give the amount of profits *divided* prior to its date, but currently reported as amounting to $7,000,000 more.

Here we have a national bank collecting interest upon 76⅔ times as much money as its entire capital. It may be added that in case the bank should fail, its shareholders, under the National Bank Act, would only be required to pay over to its creditors the sum of $300,000 in case its assets should not be sufficient to pay its debts.†

5.

National Banks as Banks of Issue.

The advantages enjoyed by the banks over all other

* Report U. S. Comptroller of Currency, Vol. 2, p. 758.
† U. S. Rev. Stat., Sec. 5151.

forms of business are principally the product of law. One would suppose from the foregoing that the law has conceded to them all that they could possibly desire or in good conscience accept. Let us therefore, for the present, drop them as banks of *deposit* and *discount* (loans) and inquire into the special advantages which the law gives them as banks of issue.

Under the National Bank Act, when a national bank deposits United States bonds with the Secretary of the Treasury to secure its circulation, the Government issues to it 90 per cent. of their face value in the shape of bank notes to circulate as money. For the use of these notes (when put in circulation) the bank pays the Government 1 per cent. interest per annum with the legal privilege of a perpetual annual renewal at that rate.* This is the *substance* of the transaction, and this *substance* is not affected by the subterfuge of calling the 1 per cent. a *tax* instead of *interest*. The transaction is precisely the same as though you (the reader) should borrow $900 of a bank by putting up as collateral a $1,000 United States bond to secure the loan at the same interest rate, and privilege of annual renewal. The Government "*accommodates*" the bank with an interest rate of 1 per cent. per annum. The bank "*accommodates*" you with the highest rate which the usury laws of the State, territory or district will permit it to collect, or 7 per cent. per annum in the absence of such laws. This is the practical difference *under the law* between the banks and you. †

The degree of this discrimination which the law makes

*U. S. Rev. Stat., Sec. 5214.
†U. S. Rev. Stat., Sec. 5197.

between a national bank and private citizen, may be faintly realized when it is known that beginning with 1864 and ending with 1893, a period of thirty years, the Government has loaned to the national banks, at an interest charge of one per cent. per annum, an *annual average* of $285,000,000, equivalent to the loan in a single year of the sum of $8,560,000,000.*

When we reflect that this (practically) annual free gift to the banks of the use of $285,000,000 has (like their capital and deposits) been made the basis for widely expanded bank credits, by means of which they have collected interest upon several times that amount, the enormity of the offense committed by the Government against the principle of equality before the law, will in part (at least) be appreciated.

It may be said in response to the matter contained in this chapter that all of the foregoing advantages to the banks and injuries to the people have been granted or permitted by law for many generations. This is partly, but not wholly true. As we now know them they practically began about two centuries ago with the charter of the Bank of England (after which all modern banks of issue are substantially patterned) when Britain was carrying on her continental wars and rapidly extending her dominion and commerce over the world. To do this the supply of gold and silver money was then, and ever since has been grossly inadequate. To supply the deficiency, banks of *issue* were invented whose function is to provide a *substitute* for money in the shape of their promissory notes authorized by law to circulate *as* money and supposed

*Report Comptroller of Currency, 1893, pp. 95, 96 and 97.

to be always kept at par with coin by being made *redeemable in* coin on demand.

Doubtless the reason why the sovereign power to create money was thus, in part, originally surrendered to *banks of issue*, was because the world then lived under the universal delusion that money (legal tender) could only be made of the precious metals. Hence the invention of the *bank bill* to serve as a *substitute* for money. Upon this primal mistake the despotic power of the banks was first erected. It enabled them to corner the money of a country and force its people to transact their business through the medium of their promissory notes, and pay enormous sums in interest for the enforced use of these evidences of their own debts. This first brought the business world under their control, which has grown more and more despotic and complete, until now, with the gradual perfection of the system of bank credits and loan deposits, the *fiction* of credit has become the *substance* of our circulating medium, and actual money used mainly to measure the burden of our debts.

If this condition is to continue forever, it would be far better for the world to return to the primitive system of simple barter, where the owners of property, in making their exchanges, can place upon it their *own estimate of value*, than live under the condition of a grossly inadequate supply of money, which, by enforcing constantly falling prices, brings it under the bondage of perpetual debt, and makes all honest industry pay an eternal tribute of interest to the money-changers. Far better no money at all than an insufficient supply, coupled with the despotism now exercised by the *speculator* in money and prices over the producer and legitimate distributor of wealth.

What the country needs is larger cash and smaller credit transactions. With such a healthy increase in our volume of money as will raise the general level of prices so as to leave to labor a surplus of profit commensurate with the scale of American civilization, outside of merely speculative ventures, there will be but little need for credit. The owners of solid property, and those doing a prudent and careful business, will, out of this surplus of profit, after meeting living expenses, pay their debts, and, within healthy limits, extend their business operations and have little need to borrow.

To be able to do this, every man engaged in honest industry has a *natural right*, and its practical denial by any person, class, or Government, is a crime against justice and humanity—a crime all the more brutal and revolting in that it is perpetrated upon its helpless victims by, and defended under, the sacred name of law.

6.

Honest and Dishonest Banks.

It is to be borne in mind that the foregoing figures, taken from the report of the Comptroller of the Currency, represent only the aggregates contained in the reports made to him by the banks themselves. It is, therefore,

rightly assumed that they are as favorable to the solvency and conservative management of the banks reporting as they could well be made. In giving them the purpose has been to explain the practical workings of the banking *system* in its several business departments, and show how the substitution of fictitious credit for actual cash has mainly placed the general level of prices and the profitableness and stability of all industry under the control of the banks.

For this reason no note has been taken of the many public scandals connected with the administration of the National Bank Act, nor of the dishonest management or suspension of many banks; their open and shameless violations of law, winked at by high officials in the Government; their robbery of trusting depositors by receiving deposits up to the very hour of suspension; their espionage upon the private business of their customers; the ruin of many of those customers by the secret betrayal of the pledge of secrecy implied in all dealings with a bank; the unusual receipt of the grace of the pardoning power by convicted felons connected with banking malversations, nor the shameless, and often successful, intimidation of their debtors into casting their ballots to perpetuate their own industrial servitude, an intimidation which the laws of the several States denounce as a *crime*, and which, in the end, they will STOP, even though compelled to resort to the drastic measure of forfeiting the debt, sought to be made the instrument of such intimidation. These things are all well known to those who have extended dealings with banking associations, and to a limited extent are exposed by the public press.

Nor is it claimed that the foregoing strictures on the reckless expansion of bank credits and malversations of bank officials are applicable to *all* banks. On the contrary, it may be conceded that a large majority of them are prudently and honestly conducted. There are, also, many banks doing business on their own (not borrowed) capital, and under no obligations to the New York banks, who recognize the patent fact that it is against their own interest to exhaust all the powers permitted or granted to them by law. Thus there are many local banks in the Pacific West (and probably elsewhere) who refuse to demand from their debtors promissory notes payable in gold; who insist that any kind of money that is good enough for the people to do their business with is good enough for them to bank upon; who say that the *stability* of their profits in business depends upon the continuous prosperity of their customers, and who, therefore, advocate the free coinage of silver and a substantial enlargement of the paper issues of the Government. These, however, are not the controlling banks which breed monetary panics by refusing further discounts and calling in their loans, without regard to the interests of the smaller banks, whom they remorselessly crush, along with the people, under their iron heel.

7.

Present Demands of the Banks.

Although the *controlling* banks in the large cities, and

particularly those in New York, now have and exercise a most dangerous power over the business and property values of the country, they are still unsatisfied. Evidently they do not intend to stop short of *absolute* control. To secure this, they have been stealthily plotting, step by step, for many years, and, until recently, working under cover and in the dark. Encouraged by the election of Mr. McKinley on an equivocal platform on the money question, they have, at last, *partially* unmasked their plans and publicly disclosed their ultimate purpose.

This purpose has its root in avarice and the love of power which great wealth can gratify. Its ultimate aim (and if successful), its ultimate end, will be to establish in this country a social and political oligarchy of wealth upon the ruins of the popular institutions under which we have so far lived, and whose corner-stone is *the rights of men.*

Since the repeal of the Silver Purchasing Law in 1893 many plans have been suggested by the *controlling* banks for the "*reformation*" of our currency system. These several plans are known as the Baltimore Plan, Cleveland Plan, Carlisle Plan, and Indianapolis Convention Plan—the last, at this writing (February, 1898), before Congress, backed by the practically solid support of the banking interest. While they differ in minor details, they all agree: 1. That gold coin only shall in the future be full legal tender. 2. That the partially monetized paper issues of the Government shall be forever retired from circulation, and, 3. That all future issues of paper (substitutes for money) shall be made by the banks alone.

These three propositions will all be the subject of bitter controversy in the future struggles of political parties. While it is beyond the scope of this book to discuss them in detail, let us briefly consider them in their practical bearing upon the *power of the banks* and *interests of the people.*

Bearing in mind the fact that, other things remaining the same, the general level of prices is determined by the number of dollars in general circulation, and the further fact that low prices promote the interests of the banks, *until*, through the debts created thereby, they have become stocked up with securities, pledged in return for the loan of their interest-bearing credits, the reason *why* the *controlling* banks demand money made of gold only (scarce money) is apparent. This small amount of money they can corner at will.

It is the custom of business men (especially the merchants) to deposit in bank at night the money taken in during the day. The banks thus receiving daily all of the different kinds of money in circulation, set aside the gold coin so received to swell their reserves. Thus if all the gold in the country was in general circulation, the banks can, in a short time and *without cost to themselves*, get it into their vaults.

Hence, if gold was our only money (legal tender) the banks could, at any time, have a corner upon the only means by which the people could pay their debts. This would be immaterial while the banks were trying to create a boom in business by freely expanding their credits. At such times any thing passing current as money would be

received by them. But when the time came to contract their loans, in order to promote a gigantic speculation or save themselves from ruin, due to their own over-trading, this corner on the only *money* in existence would leave debtors absolutely at the mercy of creditors, and the values of all property (except debt) would be wiped out as with a sponge. By requiring their debtors to give their promissory notes payable in gold, the banks already have the power to do this partially and indirectly. With gold coin made the *only* legal tender authorized by law, this power would be direct and complete. *Hence the banks demand it.*

So long as we have three kinds of money (legal tender) in our currency system this means of spoliation by the *controlling* banks is held severely in check. No matter of what materials our money may be made, the larger share of it must remain in the hands of the people with which to carry on their retail trade and smaller business transactions Every dollar of legal tender (money) in actual circulation helps, therefore, to protect the people from the plundering designs of the speculative cliques led on by the *controlling* banks.

This was doubtless one reason why those banks demanded the repeal of the silver purchasing law. The silver coin remaining in the hands of the people to transact their smaller business with, could not well be cornered by them. Being in part *legal tender*, its possessors were also, to the extent of its volume, free from bank control, as debts could be paid with it without consulting the banks. The same is true of the partially monetized paper issues

of the Government, made legal tender for some, but not all purposes. Hence, *they*, like silver, must also go, say the banks.

If (exclusive of small change) *all* of our gold, silver and paper money was full legal tender, not only would it be comparatively free from the danger of being cornered by the banks for speculative purposes, but they would not dare to corner it. To do so they would practically have to corner nearly *all the money in circulation* and such attempt would provoke such public wrath that the whole banking system would be speedily swept away.

Not only must the legal tender paper money of the Government go out of existence (say the banks) but it must go in a particular way, viz.: by being funded into long time interest-bearing bonds payable in gold. This would accomplish three objects aimed at by the *controlling* banks. 1. It would yield them large profits on the original purchase of the bonds. 2. It would give them a continuing profit for an indefinite time through the use of the bonds to increase their bank-note circulation, and, 3. It would create a permanent national debt, the most potent means yet found to establish an oligarchy of wealth.

But to make gold coin the only legal tender (money) and retire the partially monetized paper issues of the Government are only preliminary steps in reaching the *main* purpose of the banks, viz.: to *substitute* their promissory notes (bank bills) for the *money* of the Government in conducting the business of the people.

The unfavored citizen who acquires a dollar of this

Government paper money has to pay its equivalent in value, in labor or property. In this respect the banks *now* have no advantage over him. In fact, there are nearly $1,000,000,000 of this paper money which they can have on the same terms as the private citizen. But the banks are not used to paying for anything what it is worth nor anything at all if they can help it. To do so would put them on a level with the "*common herd*" and reduce them to the vulgar plane of useful citizens. But with the Government paper issues retired on their demand, the banks (to begin with) could fill the gap thus made in our circulating medium, with $1,000,000,000 of their promissory notes authorized by law to circulate as money. One beauty of this monetary change to these "*sturdy beggars*" who, for a whole generation have been the beneficiaries of the (practically) free use of nearly $300,000,000 a year of the people's money (national bank note circulation) would be that this additional $1,000,000,000 would *also* (practically) cost them nothing.

But this $1,000,000,000 (capable of unlimited increase) would by no means be the limit of their gains. By means of *bank credits* based upon it (in addition to their capital, deposits and re-deposits heretofore discussed) this $1,000,000,000 could and (when desired) would be expanded to and interest collected upon three times that amount.

It thus appears that the *controlling* banks, in stating their demands, have openly proclaimed their purpose to assume *unlimited* control over the money of the people, and thereby over the general *level of prices* and the *profitableness of all business*. By making gold money only a legal tender (which they can corner at will)—destroying all other money (legal tender) and forcing the people to use their promissory notes (evidences of their own debts) as a *substitute* for money—the *entire* business of the country will be conducted upon a basis of *credit* instead of *cash*. This will enable the banks to raise and depress prices absolutely at will by granting or refusing bank "*accommodations*" and make the successful conduct of all business dependent upon their *favor*.

The scheme of spoliation is imperial in its conception and treasonable in its attempted execution. It dethrones the sovereign power of the people and transfers their control over the means of earning their own livelihood to a coterie of private corporations organized solely for purposes of gain.

The American people are slow to wrath. Their innate conservatism is inherited from ten generations of property owners, living in their own homes, cherishing their own thoughts, and moved by the impulses of free men. There is a limit to their forbearance, and when they understand the full scope of the demands of the "*money power*," whose master spirit is the banking interest, that limit will be reached.

8.

Remedies.

It is not the purpose of this book to trench upon the

ground of the "*practical statesman*" in dealing with the question of the proper *distribution of our money*. This question is as vital as that of *what shall be its total volume*?

In fact, whether this volume be great or small its *supply* at any *given locality* is merely a question of its general distribution, now left wholly to the discretion of the banks. But the dangers to legitimate industry from our present banking system, in part set forth above, call for a few suggestions, in the nature of remedies, which will greatly mitigate, if they cannot wholly avert them, thus:

A.

Bank Reserves.

To give a full description and history of this subject, and of the conduct of the banks relating thereto, would require more space than this book contains. It is enough to say:

1. That the national banks are divided by law into three classes; thus: First, those located in what the law makes *reserve* cities; second, those located in the *central reserve* cities, and, third, all other banks located elsewhere and generally called country banks.

2. The banks located in the *reserve* and *central reserve* cities are required, in express terms, to always have on hand in lawful money, 25 per cent., and all other banks 15 per cent., of the amounts of their deposits for the security of their depositors.*

3. But the banks in the reserve cities instead of actually

*U. S. Rev. Stat., Sec. 5191, and Act March 3, 1887.

keeping their reserves on hand in lawful money, as in terms required, are authorized *by law* to keep one-half of such reserves on *deposit* with any bank located in a *central* reserve city.* This reduces their amount of cash to be kept on hand, in lawful money, from 25 to 12½ per cent. of their deposits.

4. So, also, while the law says in terms that the country banks must always keep on hand in lawful money 15 per cent. of their deposits, it also provides that in casting up the amount of such reserves, three-fifths of this 15 per cent. may be counted in the shape of balances due to such banks from other banks in the *reserve* cities, approved by the Comptroller of the currency.† This reduces the amount of lawful money to be kept on hand by the country banks from 15 to 6 per cent. of their deposits.

5. As though this did not sufficiently reduce the amount of *cash* required to be *kept on hand* to secure depositors, the law further provides that clearing-house certificates, issued by any clearing-house association, and representing lawful money deposited for this purpose, may also be counted as a part of the lawful reserve of any bank belonging to such association.

6. And even the 5 per cent. in the redemption fund, required by law to be kept by a national bank on deposit with the United States Treasurer to redeem its *circulating notes*, may, at the same time, be counted as a part of the *legal reserve* to be kept *on hand in cash* to secure depositors.‡ And so with sundry other items *not cash on hand*.

*U. S. Rev. Stat., Sec. 5195.
†U. S. Rev. Stat., Sec. 5192.
‡Act June 20, 1874, Sec. 3.

By the time these various deductions are made from the 25 and 15 per cent. of lawful money *supposed* by the depositors to be *at all times* kept *on hand* to secure the prompt payment of their checks, it is difficult to see where the *security* comes in. The affairs of a national bank may be so manipulated that while complying with the law in every respect, these deductions of various items of credit from the amount of *cash* required (in words only) to be *at all times* kept on hand, as to leave practically on hand but little, if any, cash at all. However to the sagacious "*business man*" who is so wise that to *safely keep it* he gives the use of his *cash* to the bank for *nothing*, and when the profit to the bank, accruing from such use, has been sufficiently diluted into a bank credit, borrows it back again in that form, thus in the end paying interest on the use of his own money, while the bank palms off upon him its *promissory notes* for *cash*, in paying his checks drawn against such credit, even this small security ought to be satisfactory.

The final result of this complicated system, whose ostensible object is to secure the prompt payment of the checks of depositors in *cash*, in which *lawful money on hand* is declared by the *law itself* to mean almost any thing *but cash* is to keep almost the entire business of the banks *afloat in the air*, and concentrate in the central reserve cities, and at last in New York, the power to control the general distribution of money (and all credits) throughout the country. If the system of banking on deposits is to continue, the law should be so amended as to compel every national bank to always keep its entire reserve in its own

vaults in actual money, without any deduction whatever. This is what nearly all depositors believe to be the law *now*, and further legal juggling with their confidence should be stopped.

B.

Clearing-House Loan Certificates.

The final concentration of money in the city of New York causes a plethora of it there and a dearth of it elsewhere. The low price of commodities, due to an insufficient money supply and its faulty methods of distribution, make productive industry unprofitable. For this reason those engaged in *legitimate* business throughout the country are afraid to borrow money of the New York banks, and thus again temporarily re-distribute it, and for the same reason lack the kind of security which the banks demand. Thus the prudent producers and distributors of wealth are afraid to borrow and the banks are afraid to lend. The money thus piled up in the New York banks, having no proper industrial outlet, is used to bolster up speculative deals in rotten stocks, while the rest of the country perishes for lack of this life-blood of industry.

When the cycle from wild speculation to utter collapse shall again be complete, the banks having their funds on deposit in New York will demand their cash, and the New York banks will (as usual) save themselves from ruin threatened by its compulsory return by creating a

special currency for their own benefit in their dealings with each other known as clearing-house loan certificates. Thus is a great country placed at the mercy of these banks which successfully oppose every effort to furnish the *people* with an adequate supply of money, yet who in every critical emergency resort to extra legal methods to save themselves from the ultimate consequences of their own greed.

If we *must* have a rotten banking system let us at least free it from this unjust discrimination. If the controlling banks *will* bring on a periodical panic in order to save themselves and thereby bankrupt the lesser banks and the people, let us see to it that *they* shall drink from the same cup they so freely tender to others. Better far a universal bankruptcy of all creditors and debtors alike once in twenty years than the annual bankruptcy of 5 per cent. of the people continuously for twenty years. From the former, industry soon revives from the speedy re-distribution of property between creditors and debtors which goes on so rapidly, and on the whole equitably, under that condition. From the latter the stronger concerns annually absorb the bankrupt estates and the process of concentrating wealth in the hands of the few goes indefinitely on. Had every bank in the United States been wrecked in the panic of 1893 solid recovery would be far more advanced and property more equitably distributed than now

In a general conflagration the public effort is to save all property alike. The cottages of the poor are not sacrificed to save the mansions of the rich. So when

great financial storms (for which the producers of wealth are never responsible) sweep over the land, and temporarily destroy the value of all property pledged to secure the payment of debt, it may be well to give at least a passing thought to the question whether *eternal justice* does not demand that if *such* time be selected to enforce payment, whether the face value of the credit of the creditor shall not be compelled to shrink in the same proportion as the property of the debtor pledged to secure it. The twentieth century will probably answer this question.

C.

Postal Savings Banks.

In 1892, as shown by the Comptroller's report cited above, the deposits in the savings banks of the United States amounted to $1,712,000,000. It is needless to refer to the distress of their depositors caused by the failure of so many of these banks in and since 1893. These deposits represent the painful savings of the provident and industrious poor, and the moral obligation of government to supply them with an absolutely safe depository for their funds with the assurance of a small rate of interest thereon, is recognized in every enlightened nation but our own. Of late, even here this obligation begins to receive partial recognition from public officials, and the hearty support of the people.

The only difficulty thus far suggested in the establish-

ment of *postal savings banks*, relates to the manner in which deposits received shall be invested so as to be perfectly safe to the Government and yield enough revenue to defray the small additional cost of operating the postal service and pay a small interest to depositors upon their deposits.

Under the present banking and business conditions the money of the people is unduly drained from the country and smaller towns and cities into a few commercial centers having less than one-tenth of our entire population. To them there constantly flows for investment or enjoyment the profits derived from speculative ventures of every kind and from the banking, money-lending, transportation, mining, manufacturing and commercial interests throughout the nation.

The crying need of those portions of the country deprived of these advantages is to de-centralize this undue concentration of money in a few localities so far as the same is the product of unjust national legislation or failure to legislate.

In all of the States there are State, county, or municipal bonds outstanding (or being constantly issued or refunded) whose only market is now in these commercial centers to which the annual interest (and when paid the principal) of these bonds, collected by public taxation are sent from every corner of the land. The aggregate value of these bonds is very large and this continual outflow of interest money to the great commercial centers (and particularly to New York) is a constant and severe drain upon the resources of the several States and local governments issuing the bonds.

In addition to the benefits to their depositors, a great *public* benefit can be conferred upon nine-tenths of our people through the medium of *postal savings banks*, if the funds deposited therein in each State or Territory shall, preferentially, be invested in the purchase of bonds issued by such State or Territory, or by any County or Municipality therein.

The annual interest contributed by the tax payers, will then return to depositors resident in the State, and be by them expended there, instead of being as now finally lost when sent abroad. When the principal of the bonds is paid to the government, such principal can be invested in other such bonds [if to be had] and thus one great source of the undue drain of money to the commercial centers be cut off. This will, it is true, reduce the business of a few money-lenders, in a few localities, but the public welfare will be greatly advanced.

It may be added that as the Government would have no inducement to speculate in the bonds by calling for a high rate of interest, the effect would be to equalize and lower the interest rate on public securities in all of the States, and thereby greatly reduce the heavy burden of local taxation.

D.

Bank Credits.

The reader who has carefully studied this chapter will have seen that the inherent vice in the present banking

system lies in the almost unlimited capacity of the banks to alternately expand and contract at will the volume of their loans and discounts, commonly called *bank credits*. These credits, under ordinary conditions of business, have been so generally substituted for the use of actual money that they may be said to constitute our real, as they certainly are our principal, circulating medium. As previously shown, they rest upon repeated loans of the same bank capital and cash deposits, and the larger these are the more can they be increased. If the public welfare is promoted by thus placing in the hands of private corporations, organized only for gain, the dread power to manipulate all industry for their benefit, then the present system cannot be improved upon. But if this power is dangerous to the State and destructive of all *stability* and *continuous prosperity* in business, then a check, at least, must be placed upon the power.

This check should not come in the shape of a limitation upon the amount of deposits which a bank is authorized to receive. If people are willing to place their money in the custody of the banks "*for safe keeping*" only, and the banks are willing to safely keep it for them, the law relating to *special deposits* sufficiently covers the case.

The limitation, therefore, must fall upon the amount of loans and discounts they are permitted to make. These should be based almost wholly upon their unimpaired capital, surplus and undivided profits. No greater proportion of their deposits should be loaned than barely enough to induce the banks to take charge of deposits

for safe keeping, and continue the convenience afforded by the system of paying debts by the use of checks. Twenty-five per cent. of such deposits are ample for this purpose, and the whole system of *loans on re-deposits* should be absolutely forbidden. This will compel them to bank almost wholly upon their own funds, for which they have paid an equivalent in value, and remove the deep sense of the inequality of the law which now burns in the hearts of the people.

Nor while banking almost wholly upon their own funds should the banks be permitted to expand their credits beyond the limit of safety to the business world to promote whose interests is the only ostensible object for which private banking corporations are created by law. For this purpose their loans and discounts should not be allowed to exceed their unimpaired capital, surplus, undivided profits and 25 per cent. of their deposits, by more than 100 per cent. To this extent bank credits, thus limited in amount, would be perfectly safe and a great convenience to business, without endangering its stability by compelling the periodical return of monetary panics.

To lend money at lawful interest is a legitimate business, and is not to be made the subject of reproach. A private citizen may freely lend it and secure its re-payment by the pledge of property. But it is to be remembered that when a private bank is chartered by law, as tending to promote the public interest, the law should not discriminate in its favor beyond the point where its *public utility* ends. The private citizen can lend his money but once. Before he can lend it again he must first collect it.

The banks, through their system of bank credits, now lend their loanable funds several times over, and collect lawful interest on the several loans at the same time. To permit them, by *law*, to more than double their profits without any increase in their capital, by lending their own money and 25 per cent. of their deposits once, and its shadowy credit once again, is surely enough. Anything beyond this not only brings disaster to business in the end, but is rank *paternalism* in government.

The prime reason why the controlling banks have become an organized threat hanging over all industry is because it is to their interest to have dear money and cheap products. To make money scarce and dear they oppose and prevent all efforts to increase its supply and thus make money cheaper and products dearer. Thus their interest and that of the industrial masses is in eternal conflict. That the banks serve the purpose of temporarily quickening the movement of an insufficient supply of money and stimulating enterprise by thus making one dollar do the work of several dollars, admits of no denial. But this temporary quickening of the monetary circulation is always followed periodically by a reactionary paralysis of business, in which even this insufficient supply almost wholly disappears, leaving behind it nothing but bankruptcy and ruin.

Thus giving the banking system as now conducted full credit for all the conveniences and benefits it confers, the price paid for them by industry is not only too great but wholly unnecessary. The intolerable evils of the system flow primarily from an inadequate supply of money,

which necessitates low prices for labor and property, which by forcing the people into debt, compels them to borrow interest-bearing and widely expanded bank credits, resulting inevitably in periodical panics and the ruin of all debtors, the most industrious and enterprising, and, therefore, the most precious part of our population.

But it is to be noted that should our supply of money be healthily increased without any change being made in our system of banking on deposits, and with no legal limitation placed upon the amount of loans and discounts permissible to the banks under the custom of our people to keep bank accounts, the effect would be to greatly augment the amount of deposits and thus foster an era of wild speculation through the fatal facility of the banks in furnishing fictitious credits, based upon such deposits, to be shortly followed by a still more disastrous panic.

It is thus doubtful whether the question of our supply of money, to which nearly all public discussion has thus far been directed in the voluminous literature devoted to the advocacy of the free coinage of silver (important as that is), is not after all inferior in importance to the question of our banking system regulating the distribution of our *volume* of money, whatever that volume may be. If so the country owes the banks a debt of (undeserved) gratitude for at last compelling its consideration, by disclosing their purpose to secure a still firmer grip upon the industries of the people.

It may be objected that if the amount of bank loans (or credits) which act as a substitute for money, shall be

limited to 100 per cent. over and above the amount of the unimpaired capital, surplus, undivided profits, and 25 per cent. of the deposits of the banks, that this will in effect be equivalent to a large contraction of our circulating medium, composed, as it principally is, of those credits. This is true, but the objection will be fully met by filling the gap thus made in our present artificial panic breeding circulation with *actual money*, by means of the free coinage of silver, and the enlargement of the paper issues of the Government. This great change from industrial death to industrial life, can, and should be conservatively made, so as to cause no serious or prolonged disturbance in business; and to accomplish this there is only need that the total amount of such issues shall be so limited and regulated as to secure a money volume that will be ample but not redundant.

There are those who in this connection dread, or affect to dread, the conservative instincts of our people, and the sober second thought which always comes to political parties when entrusted with the responsibilities of power. If these persons will recall the history of their country on this subject, they will find that the power to increase the volume of our money has never been abused, not even in the white heat of our civil war, when the commercial spirit of the people was far less controlling than now. They will learn that the total amount of United States notes (greenbacks) authorized by law was carefully limited to $450,000,000 and of national bank notes to $354,000,000. Having regard to the conservative character of our people and judging by the past, they will see that if any

difficulty shall arise over this matter, it will not be in fixing a prudent limit upon such issues, but in securing their adequate supply. Even when the country shall be ready to establish a safe, sound, and flexible currency composed of actual money, by supplementing our gold and silver coinage with Government issues, they will find that the money-changers will still be abroad in the land. To their pestilential activity any patriotic American can safely trust to see to it that such issues shall not be excessive. There is no need that *he* should borrow any trouble on this account.

Nor should we be alarmed by any threats that may be made by the controlling banks to bring on another panic, should the Government attempt to curtail their power and legislate in the interest of the people. They have already done their worst; they have sucked their orange dry, and their threats have ceased to frighten those who have the courage of their convictions. They know that it is more than probable that for several years to come a repetition of their conduct of 1893 will bring *ruin to themselves*. The mere fact that they dare to make such a threat is conclusive proof that the time has come to end their arrogance by curtailing their power. He who learns the money question is no longer susceptible to these alarms, because he knows that all reason shows that any material betterment of the currency system of a nation, made in the interest of the *producers of wealth*, will infuse into industry such confidence in the future that the change will scarcely cause even a temporary confusion.

CHAPTER III.

AMERICAN SYSTEM OF FINANCE.

Present and Proposed Currency Systems Contrasted.

The present currency system of the United States is the result of thirty-five years of temporizing makeshifts and short-sighted compromises with the demands of the money-changers. We have so many different kinds of (so-called) money that the whole system is a mystery to the common people, whose ignorance is taken advantage of in many ways by those whose sole business it is to handle it.

Thus we have gold coin made full legal tender and without limit upon its coinage, because *gold is scarce;* silver coin made full legal tender (except where otherwise expressly stipulated in the contract) but its further coinage forbidden, because *silver is plentiful*; Sherman notes having the same limited legal tender quality as silver coin, and their further issue forbidden for the same reason; United States notes (greenbacks) redeemable in gold or silver coin, and made legal tender in payment of all private debts, but not considered good enough to pay custom's duties or interest on the public debt; national bank notes, redeemable in greenbacks, made legal tender in payment of all Government dues, except duties on imports, but not considered good enough to pay private debts;

silver certificates, issued under the Bland-Allison Act, redeemable in silver coin, and legal tender for public dues, but not for private debts; gold certificates, issued against deposits of gold coin with the United States treasurer, receivable in payment of all public dues, and counted as a part of the legal reserves of national banks; silver certificates, issued in like manner, receivable for all public dues and counted as a part of the reserves of national banks; and currency certificates, issued to national banks in sums not less than $10,000, upon the deposit with the Treasurer of an equal amount of greenbacks, not made legal tender, but counted as part of the reserves of national banks.

Thus we see that gold coin is *now* our only perfect money, because *it* only has full debt-paying power. Our silver coin, Bland certificates, Sherman notes, greenbacks and national bank notes, are only partially monetized, while the remainder of our circulating medium are Government credits only, and practically under the control of the national banks. While the greenbacks and Treasury (Sherman) notes are only partially monetized by having only a limited legal tender power, they still largely serve the only purpose of money in the *compulsory* payment or discharge of debt. This they do without the consent or permission of the banks. Hence the banks demand their destruction and the permanent establishment of a currency system composed of gold money only, with all the rest of our circulating medium (exclusive of small change) composed of *money substitutes* in the shape of bank bills and other banking devices of credit. The silver certificates

and silver dollars, now in circulation, are to be greatly reduced in number by redeeming them in gold on demand, and whether they are to be entirely withdrawn from circulation, or a part of them left to survive, seems to be left for future consideration, with a strong demand by the banks that they shall be wholly destroyed as a part of our currency system.*

Against all of this complicated currency machinery, monetary confusion, and autocratic power on the part of the banks, the opponents of gold money only enter their protest. They demand three kinds of standard money, made of gold, silver, and paper; that it shall all be issued by the Government directly to the people without the intervention of private banking corporations; that it shall all be full legal tender; that none of it shall be demonetized by private contract; that the debtor shall have restored to him his ancient common law right to pay his debt in any kind of lawful money, and that the total quantity of money shall be increased sufficiently to restore the general level of prices to a basis of normal profit, under the *American* and not the *European* or *Asiatic* scale of civilization. In short, they demand that our entire circulating medium shall consist of *money* (full legal tender) and that all bank bills and other *substitutes* for money and circulating as money, shall be retired from circulation. Thus will our business rest upon the stable basis of actual money, which cannot be cornered, instead of as *now* upon the *unstable confidence* and *phantom credits* of the banks.

* Report Indianapolis Monetary Commissioners.

2.

Parity.

Perhaps no word in the English language has ever had such emphasis laid upon it as recently upon the word "*parity*." It is the "*summum bonum*" of the gold valuation school. It implies, in their estimation, that gold money only is desirable or possible because (as they claim) silver and paper money cannot, commercially, be kept at par with gold coin, unless made *redeemable* in such coin. Hence to maintain this parity (equal purchasing power) of all dollars they are willing to sacrifice the inestimable blessings of a rise in the general price level and all *stability* in business, caused by profitable and stable prices, assured through an adequate supply and proper distribution of money.

It is plain that if we are to have gold money only, in which all paper issues are to be *redeemed*, that the volume of such issues must be limited by the supply of gold, whose inadequate supply is *now* unable to maintain stability in the present general price level, or prevent its further decline, even when aided by all the paper *substitutes* for money, which it will support. To have our *money*, therefore, limited to gold, means that instead of having a circulating medium which will expand as business expands, we are to have our constantly expanding domestic and foreign business tied down to the wholly inadequate supply of gold, and incapable of being conducted on the gold basis, *except* at the expense of a continuous

fall in the prices of all property equal in percentage to the amount of such business expansion. It is at this point that the banks appear in their favorite role of "*saviors of society*," and offer to eke out the scanty supply of gold and check (for a time) this continuous fall in prices by tendering an unlimited supply (on good security) of money *substitutes*, in the shape of bank bills, discounts and loans.

Plain people who are not "*experts*" in monetary science, but who love control over their own means of livelihood, will prefer to dispense with both the single gold standard and the proffered services of the banks.

However desirable it may be to have all dollars (gold, silver and paper) of equal commercial value, it must be secured by other means than the continued depression in business and absorption of property by the money-lending and speculative classes, which depression and absorption must continue indefinitely under any monetary system based upon gold money only. If we are to purchase it by the general and continuous ruin of all legitimate industry, then the price paid for it is altogether too great. To do so subordinates substance to shadow, absolute necessity to mere convenience.

The "*endless chain*" is possible only because our greenbacks are issued in the form of promissory notes. Made legal tender in payment of all private debts, in making exchanges between private persons, they are to *this extent money* in the fullest sense of the word. Being *money*, why issue them in the form of promissory notes? Why not make them *absolute* money like the gold dollar, or as the

silver dollar will be when its further demonetization by private contract is forbidden?

The only true answer which can be made to these questions is that we do not yet fully realize that *money*, whether made of gold, silver, or paper, is wholly the creation of law; that its only use is to pay or discharge debts, and that *all* of its *value* is due to the universal demand for it for this purpose. When these facts are clearly realized the full absurdity of *redeeming* one kind of money with another kind of money, when the money *redeemed* is of equal dignity and will do precisely the same work as its *redeemer*, will be appreciated. The existing compromise between the true theory of money and the false theory of "*money of intrinsic value*," cannot be abandoned too soon for the good of the country. It is a partial incorporation into the legal tender paper dollar, of the old idea connected with the promissory notes of the banks, which not being made legal tender, and, therefore, not being *money at all*, but only *substitutes* for money, possessed no commercial value, *unless* they had legal tender money behind them, in which they would be *paid* or *redeemed* on demand. The entire value of these promissory notes of the banks rested on the *legal tender quality* of the gold and silver coin in which they were originally redeemed or paid. But when the paper dollar is *itself* made legal tender, the whole *redemption* theory falls to the ground and must logically be abandoned.

There is one way (perhaps only one) by which an adequate supply of money can be provided and at the same time, keep all gold, silver, and paper dollars, at par with

each other. The first requirement is that the Government shall *itself* make no legal or practical distinction between them. Issue the paper dollar in the form of an absolute dollar and not in the form of a mere promissory note which places upon it, at the moment of its issue, the badge of monetary inferiority which can never thereafter be removed. Make it (like the gold and silver dollar) receivable for all public dues and full legal tender in payment of all private debts; maintain the parity of all dollars by making them *interchangeable* with each other at the Treasury and sub-treasuries at the *option of the Government* and *exercise* this option according to the condition of the several funds therein; cut the bonds which bind the Treasury to Wall Street, and make the money-changers understand that the Government is not a *bank*, but a *sovereign*; that the stock of gold in the Treasury is not held and will no longer be replenished by bond issues or public taxation to supply them with the means to meet their private contracts, payable in gold, and that if they *will* bind themselves by such contracts they must find the gold elsewhere than in the public Treasury. This can easily be done either by changing our legal tender promissory notes into *absolute dollars* or by redeeming them in silver coin. When Wall Street learns that the public treasure is no longer a bank reserve, upon which it can draw for gold, it will lose much of its enthusiasm for gold money only.

That the foregoing changes in our currency system, entered upon and carried out in good faith, will maintain in our domestic exchanges the equal purchasing power of

our gold, silver and paper dollars, admits of but little, if any, doubt. We are principally on the gold basis now, yet gold does not actively circulate. It is piled up in the vaults of the banks and held as a legal reserve to secure their depositors. Under the changes above proposed there is every good reason to believe it would be the same.

On the subject of "*parity*," it may be further said that every sound argument advanced in favor of the free coinage of silver, is applicable to and strengthened by the considerations relating to the changes above proposed. A reproduction of those arguments here is not only beyond the scope of this book, but unnecessary. The current literature on that subject is exhaustive, and to *it* the reader is hereby referred.

It may be said in conclusion that should the people be compelled to choose between a sufficient supply of money without parity, and parity without such supply, then parity will have to yield to sufficiency. Whether gold will go to a premium, out of circulation, or out of the country, are matters of small national concern, compared with the cost of making it our sole measurer of price, with all our industries tied down to it, and incapable of expansion except on condition of a never ending fall in the general level of prices. A fall temporarily broken from time to time by spurts of speculative advances, due to expanded bank credits, but destined to ever drop to a still lower and lower plane at the end of each periodically returning panic, caused by such expansion.

Should the gold dollar depart from our active circulation our silver and paper dollars will remain. The de-

parture of gold will be conclusive proof that it has grown too precious to answer the true purposes of a circulating medium. No greater crime against industry and human right can be committed by a government than to compel its people to make their exchanges through the use of a circulating medium, which has, for *any* reason (natural or artificial), become more precious than the labor which earns it, or the property for which it is exchanged. Let our dollars be placed on a parity with labor and property. This is *vital*. It is *not* vital that they should be on a parity with each other.

3.

Honest Money.

The emphasis recently laid upon the word "*Parity*" is only surpassed by that laid upon the term "*Honest Money.*" The creditor classes generally, led on by the banks, have known neither moderation nor justice in their abuse, hurled at their free silver adversaries, whom they have sought to hold up to public obloquy. Still there is one consolation to be found in this spectacle. It proves that the public conscience *is* honest, else such frantic appeals to its honesty would not be made. Much of this opprobrium is doubtless due to ignorance. To this much can be forgiven. But where it is resorted to to hide the bitter selfishness of greed it cannot be too strongly condemned.

The American people do not need homilies on honesty. But they do demand that gross wrongs upon themselves shall no longer be justified by scurrilous abuse and the spectacle of the "*worshippers of Mammon*" parading themselves in public, clothed in the garb of "*God's chosen saints*," is offensive to them.

Webster defines the word "*Honest*" as "*fair in dealings with others; free from trickiness and fraud; acting, and having the disposition to act, at all times, according to justice or correct moral principles; upright, just.*" "*Honest money*," therefore, must be money which operates fairly in its effects upon dealings between creditors and debtors; which plays no tricks and commits no frauds upon either; which is free from any advantage to either, and which will compel both to at all times *act, and have the disposition to act*, according to justice. Viewed in this light, the term "*honest money*" instead of being a defense is a merciless indictment of the single gold standard.

And so, also, in this connection, is *undue* stress laid upon the binding obligation of contracts. Contracts are only one form of property. When did they become so sacred that all other forms of property should be confiscated for the benefit of the owners of debts? A debtor, able to pay his debt, if honest, will, and if dishonest, should be made to pay it. But how is it if he cannot pay? And how is it if his inability to pay is due to a dishonest measurer of price, forced upon him by his creditor against his protest, and which, by lowering the price of his labor and property, has dishonestly robbed him of one-half of his means of payment?

In truth *all* of the denunciations launched by the gold men against the advocates of monetary reform, are beside the mark. They spring from the narrow, selfish, unpatriotic or false view which they take of the purposes for which the Government was formed. Those purposes are declared in the preamble to the Constitution to be, "*to form a more perfect union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity.*" Does it tend to form a more perfect union or insure domestic tranquility to rob the people of their homes? Does it tend to provide for the common defense to reduce them to poverty? Does it tend to establish justice to force upon them a swindling *measurer of price*? Does it tend to promote the *general* welfare to multiply plutocrats and paupers? Does it tend to secure the blessings of liberty to ourselves and our posterity to destroy the general diffusion of property, without which *liberty* can only exist in name? The question whether *A* shall pay his debt to *B* in gold or some other kind of money, sinks into utter insignificance when viewed from the serene heights of the purposes for which the Government was formed.

This view of a proposed change in the currency system of a country as bearing upon its effect on contracts has always been taken by the highest courts in England and America. Thus in the "*mixed money* cases" decided three centures ago by the chief judges in the privy council in England which decision was adopted by all the courts, it was held that money containing much less

pure silver than that current when the debt was contracted was a legal tender in the payment of the debt. In their opinion the judges in substance held:

1. That in every commonwealth it is necessary to have a certain standard of money because no commonwealth can exist without contracts and no contracts without *equality* and no equality in contracts *without* (*equality* in) money. Money was invented not only to facilitate commerce, but to *reduce* contracts to an *equality*. Money is *mensura publica* (a public measurer) and *everything* ought to be measured by the money issued by the government, *not a part, but all of it.*

2. It appertains only to government to issue money, and that a private person making or issuing it was guilty of high treason.

3. It is a prerogative of government to put a price or valuation on *all* its money and to change its standard at will.

4. Writs of execution should go, not to levy the debt of any particular kind of money, but only such money as shall be current in the country at the *time of execution.**

This principle that the obligation of *all private contracts* must yield to considerations of the public welfare as expressed by sovereign will was affirmed in 1870 by our own Supreme Court in its decision in the *legal tender cases*, cited in the first chapter and reported in Wallace's Reps., Vol. 12. Speaking on this point the court (p. 549) say: "Every contract for the payment of money simply is necessarily subject to the constitutional power of the Government over the currency * * * and the obli-

*Mixed Money Cases, Davies' Rep., p. 48.

gation of the parties is therefore *assumed with reference to that power*," and again (p. 550): "It is then clear that the powers of Congress may be exerted, though the effect of such exertion may be, in one case to annul and in other cases to impair the obligation of contracts," and again, (p. 551): "As in a state of civil society, property of a citizen or subject is ownership, *subject* to the lawful demands of the sovereign, so *contracts* must be *understood as made* in reference to the possible exercise of the rightful authority of the government and no obligation of a contract can extend to the defeat of legitimate government authority," and again, (p. 551): "By the Act of June 28, 1834, a new regulation of the *weight* and *value* of gold coin was adopted, and about 6 per cent. was taken from the weight of each dollar. The effect of this was that all creditors were subjected to a corresponding loss. The debts then became solvable with 6 per cent. less gold than was required to pay them before. The result was precisely what it is contended the legal tender acts worked. But was it ever imagined that this was taking private property without compensation * * * and has any one in *good faith* avowed his belief that even a law debasing the current coin by increasing the alloy would be taking private property?"

The same doctrine has been uniformly held in all ages, it being absolutely necessary to the exercise of the full scope of sovereign power. No nation is truly sovereign which surrenders it. It is found in the writings of Aristotle. It is found in the civil law of ancient Rome, from which nearly the whole body of our commercial law

has been taken. It is expressly declared in the Code Napoleon. It is the law in Britain, and in every other enlightened nation except our own. Why it is not fully enforced here is because at the demand of the money-changers we have basely abandoned it. All the decisions of our Supreme Court holding that private contracts may discriminate between our different kinds of money are based upon the fact that the *Government itself* has seen fit to so discriminate in its laws, which laws the courts have followed.* Thus by *law* we have one kind of money (the dearest) for the rich and another kind for the poor. We have thus wantonly violated the principles laid down in the mixed money cases (above), that there can be no commonwealth without contracts; no contracts without equality; no equality in contracts without equality in money, and that money was invented not only to facilitate commerce but also to *reduce contracts to an equality*.

In his concurring opinion in the Legal Tender Cases, Mr. Justice Bradley (p. 569) speaking of sovereign power over the currency, said: "No doubt foreign powers would rejoice if we should deny the power. No doubt *foreign creditors would rejoice. They have from the first taken deep interest in the question.* But no true friend to our Government, to its stability and its power to sustain itself under all vicissitudes, can be indifferent to the great wrong which it would sustain by a denial of the power in question."

Thus we see that foreign money-lenders were *then* trying to limit our money (legal tender) to gold alone. In this they were, for a time, foiled by that decision. They

*Trebilcock v. Wilson, 12 Wall., 687.

then resorted to other measures. Three years later they secured the demonetization of silver. They then, taking advantage of our own legal discrimination between our different kinds of money, proceeded (in their private dealings) to demonetize it *all, except gold*, by making their contracts payable in gold.

Thus did America surrender to the private money-lender the insignia and power of sovereignty. Thus are all of our industries the victims of the world's avarice. Thus have our forty-five States (again) become provinces of Great Britain. Not the manly provinces of 1776, defying death to gain their independence, but provinces groveling in servility to an alien monetary system, and idly prating of *patriotism* and *honor*.

4.

How Shall Existing Gold Debts be Paid?

Under the license filched by the money-lenders from Congress and sanctioned by the courts, it is now estimated that there are private obligations outstanding in the United States, payable in gold coin, amounting to eight billions of dollars. No fair review can be made of the merits of the changes in our currency system proposed above, which leaves this indebtedness wholly out of consideration. Condemn as we may the manner in which our most beneficent attribute of sovereignty has been surrendered to private creditors, the fact remains that our domestic and foreign business has largely become entwined around this great public wrong. It is idle to claim that the wrong can be righted without *any* inconvenience or injury to those who have become innocent purchasers of much of this indebtedness. The degree of this injury, however, has been grossly exaggerated by those who seek to perpetuate the wrong, and who now plead the magnitude of its evils, as a controlling reason for its continuance.

Thus in their open denunciations and frantic appeals, they ever *assume* that *immediately* upon the change being made in our currency system, we are to be deluged with a flood of silver, our money debased, one-half of its purchasing power destroyed, and one-half of all existing debts confiscated. To add to their simulated terror, they then assert that simultaneously with the return of free silver coinage, the printing presses are to be set to work, and the value of our money so much farther reduced, by reason of its overabundance, that the value of all debts will be almost *wholly* confiscated, and then the world will once more be "*without form and void*," and "*chaos come again.*" Unconsciously (let us hope) their unuttered thought is, "*confiscate all other forms of property, but sanctify our debts and those of our brethren across the sea.*"

It is difficult to take seriously this partly comic and partly tragic hysteria. The best thing for these persons to do is to go and make the acquaintance of their countrymen and learn something of their country that lies beyond the narrow confines of Wall Street. They will then learn

(perhaps for the first time) that the American people are neither fools nor knaves. A little *honest* inquiry will also show them that there is no flood of silver anywhere with which to create a deluge; that while their own country is the greatest producer of silver, the number of paying silver mines is small; that silver ore does not lie in continuous and almost inexhaustible beds like coal and iron, but in very limited pay chutes, within veins of very limited extent; that the producing life of every mine is short; that for every new mine opened an old one is exhausted; that our total annual supply of silver (if all coined) is but little more than sufficient to meet the monetary needs of our annual increase in population and business; and that its free coinage will *by itself* do but little more than check the further decline in the general level of prices and *perhaps* give them a slightly upward tendency.

Further inquiry will also show that no one desires or advocates flooding the country with Government paper issues; that their enlargement is demanded as a supplement to, and not as a substitute for, gold and silver money; that they are to be kept at par with coin by being made interchangable with coin at the option of the Government; and that they are to be resorted to only to the extent needed to restore and maintain a just level of prices and the consequent restoration and maintenance of *stability* and *profitableness* in all kinds of business. In this connection it may be well to recall the public statement made by the late and lamented Wm. P. St. John, President of the Mercantile National Bank, of New York, that the business of the country absolutely requires not only the

return to free silver coinage, but also the immediate issue of three hundred millions of additional greenbacks.

From the foregoing it sufficiently appears that the effect upon the general level of prices, caused by the change from gold money only to both gold and silver money, will be gradual and comparatively slow. The owners of gold debts at the time of the change will, therefore, have ample time to adjust themselves and their business to the change without serious loss. The stimulus that will be given to industry and enterprise by gradually rising prices will open up more numerous opportunities for investment of their capital, now locked up in their gold securities, and make a change in their investments more profitable than the collection of a low rate of interest upon such securities.

It is proper to add that however great private debts, payable in gold, may be, they are still small compared to the total volume of our exchanges. Thus in 1892 the exchanges settled through the clearing-houses in the clearing-house cities alone, amounted to sixty-one billions of dollars.* Even these figures are relatively small compared to the total volume of our retail trade and transactions settled without the intervention of the clearing-houses. Upon the total volume of *all* our exchanges the present insufficient supply of money causes a perpetual loss, equal to the *profit* that will accrue upon the difference between the current prices of labor and property and the prices which a sufficient supply of money will bring. Bearing in mind the purposes for which the Government was created (the fulfillment of which purposes is the only

*Comptroller's Report 1892, p. 5.

justification for its existence) it is plain that the accepted maxim of all our great statesmen in the past must prevail, viz: "The greatest good to all if possible, and if not possible, then the *greatest good to the greatest number*."

Should these gold debts be exempted from the operation of the law restoring to the people the benefits of sovereign power when exercised to restore equality in all contracts, and reduce existing contracts to equality by restoring equality in our money, the pending controversy would never end. We would thus have two elements in the country, one striving to make such exemption a vantage ground from which to renew the struggle for gold money only, and the other to maintain the then prevailing system. This would act as a perpetual menace to all stability in business. It would also set apart one class of creditors to be the recipient of special favors, and one class of debtors to be excluded from the benefits of a wise and legitimate exercise of governmental authority. As the proposed changes are advocated in the interest of equality in contracts, to thus establish inequality in the very law designed to secure equality, would also subject the law to ridicule.

The effective opposition to free silver coinage and to making all our money full legal tender comes almost wholly from those engaged in money-lending, or to whom gold debts are due. To defeat free coinage they have subjected silver to every indignity. They have done all in their power, here and abroad, to hammer down its bullion price so as to urge its depreciation (measured in gold only) as showing its unfitness to be again given free access to our

mints. If existing gold contracts are exempted from the operation of the law, they will continue thus to revile and depreciate it not only because thay can *do so without loss*, but also because it will be *to their interest* to send gold to a premium. Through their organs and recognized representatives in Wall Street they have arrogantly announced that should any release be had from the present "*grip of gold*" upon the industries of the country, they will bring on such a panic as will bring even a free silver Congress to its knees.*

It is not necessary to dwell upon this silly, but treasonable, threat. It is enough to say that it emanates from men who could not be driven into the creation of a panic unless their *greed for gain* would be promoted thereby. As soon as the law is passed restoring silver to its rightful and constitutional place in our currency system, or even when it is known that it *will* be passed shortly after the election of a free coinage President and Congress, the owners of these gold debts will see a great light. No creditor (outside of a lunatic asylum) was ever yet known to depreciate the value of the money in which his debt was to be paid. Instead of creating a panic, the owners of gold debts will become the loudest *trumpeters* for silver, because it will then *be to their interest* to increase its purchasing power by maintaining it at a parity with gold. When this time comes we will have a united public sentiment in support of the principle of equality in contracts, secured by the automatic operation of equality in money.

Were not the foregoing considerations controlling, it would (as a mere economic question) almost be an indifferent

*Henry Clews' Circular, May 24, 1896.

matter whether existing gold debts should be so exempted or not. With the supply of money sufficiently increased to raise in our home markets the general level of prices and maintain thereafter stability in prices and business, labor would find fair wages and constant employment, and business fair and stable profits. While money is used to discharge debts, debts are not really paid with money. They are paid with the price of labor and property, first converted into money. Out of a healthy *surplus of profit* left to labor and business, over and above living expenses, the gold necessary to meet existing gold debts (even with gold at a premium) could be readily obtained and the debts discharged according to the letter of the contract. This would reverse our present condition of *no surplus of profit* which now makes it, and (under the gold standard) will ever make it impossible to pay our enormous private indebtedness in *gold* or any *other kind of money*. This will fully appear in the closing chapter.

5.

The Gold Trust and its Attendant Monopolies.

The term "*honest money*" is seldom heard except when the question of preserving the equities of time contracts is under discussion. "*Honest money*," therefore, is money whose purchasing power is precisely the same (no more nor less) when a debt falls due as it was when the debt was contracted. Judged by this true test, it is almost

needless to say that the world has never yet seen perfectly honest money. By such test money has fluctuated in its degrees of honesty with the fluctuating yield of the precious metals of which it has been composed. As this yield has increased or diminished, prices have risen or fallen with the fluctuations in the supply of money in general circulation, and the discharge of debts, payable in the future, has grown more or less burdensome to debtors and more or less gainful to creditors, in proportion to this yield. Hence a circulating medium composed of both gold and silver money is more *honest* than one composed of gold alone, because the supply of both metals is less liable to fluctuations than that of one of them only, since a diminution in the yield of one metal has generally been compensated for by an increased yield of the other.

Thus until silver was demonetized, the supply of money was automatic in its operation. It depended upon causes that were beyond the control of the money-changers. The effects of an increase or diminution of the precious metals were therefore diffused over the world and all changes in the general level of prices were slowly spread over considerable periods of time, so that business of all kinds *gradually* adapted itself to such changes, without sudden and great distress to the people. This condition tended strongly to cause a general diffusion of property among the industrious and provident and all of the achievements of modern civilization on the line of the betterment of mankind have been wrought out under such condition.

Less than thirty years ago the money-changers and bond-holders having become dissatisfied with the profit

der ved from the use of their capital invested in money and interest-bearing securities of every kind, concluded to dou ble the purchasing power of such capital by destroying through legislation the use of silver by the great commercial nations. They thus doubled the purchasing power of gold, which the nature of their business enables them without expense to monopolize at will. By this means the automatic operation of money upon the world's level of prices was destroyed, and prices placed under the alm ost complete control of artificial influences. Thus are all *natural* trade movements which depend upon the unimpeded operation of the law of supply and demand perver ted, and the law itself overthrown. By this artificial cor trol over prices exercised through their control over the volume and distribution of money, the money-changers and their allied trusts have entrenched themselves between the producer and consumer, not as legitimate middlemen, to facilitate commerce, but as autocrats dictating to producer and consumer alike, the price at which the one shall sell and the other buy, all of the products of labor and property.

The gold monopoly is now the breeding mother of all monopolies. All other trusts followed swiftly upon the heels of the formation of the gold trust. The successful operation of all other monopolies depends upon their control of, or assistance received from, one or more banks clamorous for gold money only. A free line of "*accommodations*" flows readily from the gold monopoly, represented by the banks to all other monopolies. The banks know that such debtors hold certain industries in their

grip, and that their business will, therefore, be successful and their bank accommodations secure. But with those outside the pale of any trust the banks deal at arm's length and with heavy hand. Not until the gold trust is overthrown will it be possible to overthrow its aiders and abettors. As they stand united together, so will they fall together, or not at all.

6.

International Money.

While there is no such thing as international *money*, different nations (each acting separately upon its own views of public policy), may, by concurrent but independent action, admit certain material substances freely to their mints to be coined into money, and limit or wholly exclude others. Thus gold is now admitted without limit to the mints of the United States and the leading commercial nations of Europe to be coined on *private* account, while silver is denied such free admission, and silver coin issued only for small change on *Government* account. So while it is true that our gold coins are not received abroad as *money* in the *compulsory* payment of debt, but are only taken *voluntarily* by the weight of pure gold contained in them at its legal valuation there, yet the *metal* is freely received in the settlement of all debts, not because of its "*intrinsic value*," but because under foreign laws it can, on the de-

mand of its owner, be coined into foreign coin, which will be *full legal tender there*. Thus the *metal* gold in this *narrow and restricted sense* may be said to be international money, inasmuch as it does freely settle all balances on our foreign exchanges, whether tendered in the form of gold bars or coin. For this purpose it has no substitute of equal utility, and it is also well adapted to serve as bank reserves and in the settlement of large domestic exchanges. To settle international balances of trade the world's supply of gold is ample. But when it is sought to be made the basis of its domestic trade also, its frantic demand and grossly inadequate supply become evident.

In international trade goods are exchanged for goods and paid for with bills of exchange (drafts) drawn upon each other by the banks of different nations. Gold is *actually* used only to settle final balances. While it is to the interest of a creditor nation to demand payment in the dearest money (or metal made the basis of international exchanges) so as to command from its debtors the largest amount of goods for the least amount of money, it is to the interest of a debtor nation to obtain the highest possible price for its exported products, and hence to demand a cheaper measurer of price. Britain being the creditor nation of the world judges that her interests demand the single gold standard for herself. America being a debtor nation, *our* interests demand a standard composed of both gold and silver, so that by the use of both metals the quantity of international money (metals) may be increased and the prices of our exports advanced in foreign markets as well as at home. The movement to re-establish international bimetallism is, therefore, one in the interest of the producing masses everywhere, and is everywhere opposed by those whose interests are promoted by dear money and cheap commodities.

Let those who are determined to permanently place our domestic trade on the same monetary basis as our foreign trade, remember that to subject our internal traffic to the control of international *money* (gold) means that we must also accept *international prices* in our *domestic trade*. This truth is commended to the consideration of all, but especially to the American manufacturer, who is now discovering, or will finally discover, that while a high protective tariff may exclude foreign competition and give him the control of the home market, that this market itself yields *him* no material surplus of profit, because the low prices, due to an insufficient supply of money under the gold standard, yields no surplus of profit to *others*, also. Hence his business suffers in two ways: 1. His actual sales are largely curtailed, and, 2. The goods actually sold yield him no adequate profit. The same is true of the business of the merchant.

There are two facts admitted by all, viz: 1. That the private indebtedness of our people to those of foreign countries is enormous. Conservative estimates place it at five billions of dollars, burdened with an annual interest charge of two hundred and fifty millions, payable, principal and interest, in gold, and, 2. That of the total volume of our exchanges, 96 per cent. consists of our domestic, and only 4 per cent. consists of our foreign trade. As long, therefore, as these conditions continue it is a crime

against the industries of the country to attempt to fasten the blighting effects of the gold standard (international money) upon our domestic trade. This is because in addition to the destructive effects of that standard in lowering the general level of prices in our home market, it also subjects all of our *internal* commerce, property values, and domestic enterprises, to the shock of every serious loss or perturbation in business throughout the civilized world. An illustration, fresh in the memory of all, will show this.

In 1890 the banking house of Baring Bros., in London, failed through embarrassments caused by heavy losses in its investments in the Argentine Republic. The failure produced a panic in Britain and caused such a drain of gold from the Bank of England that it barely saved itself from the necessity of suspending specie payments. It did so by first easing its necessities by borrowing $15,000,000 of the Bank of France, and then threw back upon our market American securities held abroad, to be sold at a sacrifice for gold. In a short time $90,000,000 in gold was thus withdrawn from our circulation.

Upon every dollar of gold then in our circulation there rested at least ten dollars of bank credits. The withdrawal of this $90,000,000 in gold caused the banks to violently contract their credits and demand the immediate payment of their call loans. This caused a sudden crash in the values of all property in New York, a panic ensued which spread immediately over all the country, and almost every promising business enterprise not yet "*on the velvet*" went to the wall. The losses to the American people were

estimated to be not less than one thousand millions of dollars, and all this happened through the business dealings of a single bank in a country with which we had scarcely any business relations whatever. Many other illustrations, taken from foreign events since 1890, could be cited in which a drain of gold from our circulation has caused sharp contractions in bank accommodations and great losses to our domestic business. In fact, it may be said to suffer constantly from an actual or anticipated panic from causes arising beyond our borders. He who doubts this has only to read the articles in the daily press for the past five years on the gold shipments to and from New York.

If we had an abundant supply of money (legal tender) composed of gold, silver and paper, all of our domestic exchanges would then rest upon *all* of our money instead of as now, upon a little *dab* of gold, which our foreign creditors can and do take from us at will. Being a debtor nation and all of our exchanges, both foreign and domestic, resting upon gold alone, our country is *now* the final clearing-house in which, *by our losses*, the affairs of every rotten or bankrupt concern on the face of the earth are finally adjusted, whenever they are large enough to cause such a demand for gold abroad as will suddenly send our securities back to us for sale. The men who buy back these securities, sold at a sacrifice, make money thereby, but the legitimate business of the whole country languishes under these perpetual alarms and sudden contractions of credits, and a multitude of promising enterprises perish under them.

In the regular statements of the Treasury we are treated to large estimates of the amount of "*our gold.*" These estimates are indeed bitter reading to those who understand them. Neither as a nation nor as individuals do we in any true economic sense own an ounce of gold. By simply sending back our securities for sale, these European investors can at any time take from us not only our private hoards of gold, but under the present disastrous policy of the Government, also that locked up in the public Treasury. The gold we hold is used only on the sufferance of our foreign creditors. No sane person places a high estimate upon his title to property in his possession which another has both the *legal right and power* to take from him at will. Thus it is that under the gold standard (international money) and the silly demand for "*money that is good in Europe,*" we not only bear our own industrial burdens, but are forced to also bear those of the entire civilized world. In the language of Moreton Frewen, the distinguished English bimetallist, "*the United States is visibly bleeding to death at every pore.*"

7.

The Question of Power.

The reader who has thus far followed these pages will have seen that behind all arguments touching the relative

merits of the single gold standard on the one hand and the monetary system proposed by its adversaries on the other, there lies concealed the supreme question of *Power.* That question is: "Shall the money changers be stronger than the people acting through their Government; or, shall the Government, in the interest of the people, be stronger than the money-changers?" Put in different form, the question is: "Shall the Constitution be forever prostituted to suit Wall Street's unpatriotic and dishonest ways of doing business; or, shall Wall Staeet be compelled to do its business according to the plain intent and meaning of the Constitution?" In another form still, the question is: "Shall the Government be conducted in the interest of the masses or in the interest of special cliques intent only upon gaining undue wealth for themselves by absorbing the wealth of others through the cunning device of laws fraudulently passed and corruptly maintained?" Upon the final answers to these questions hang the fate of the Republic and the continued "*blessings of liberty for ourselves and our posterity.*"

We have shown how those whose business it is to make merchandise of money have progressed step by step in extending their dominion over the commercial world by limiting, through legislation, the supply of money, and substituting therefor an unlimited supply of interest-bearing credits. By this means they have brought under their control all opportunities of labor to earn a livelihood, and robbed its daily sweat of its divine right to adequate reward. *At every hazard this power must be curtailed.* It falls nothing short of the exertion of supreme author-

ity over all industry, and can be curbed only by the *exclusive* exercise of *sovereign* power in all matters pertaining to the *issue*, *volume* and *distribution* of money.

The favorite cry of the controlling banks now is that the Government must go out of the banking business. The answer is that it has never been in the banking business. If it had been it would never have burdened its people with $262,000,000 of interest-bearing bonds to buy gold with which to redeem its promissory notes, presented by the banks, when the contract called for their redemption in either gold or silver coin, and there was plenty of silver in the Treasury with which to redeem them. This was not a *banking transaction*, but the insane folly of a distracted sovereign. Instead of being in the banking business, the Government, in its financial policy, is only a fat victim for the banks to bleed. If it ever *has* been in that business, by all means let it go out of it and attend strictly to its business as a *sovereign*, to whose lawful mandates banks and beggars alike must yield obedience.

When it shall be moved by the *spirit* of a *sovereign*, intent only upon the *public* good, it will dictate its financial system in the interest of the provident and industrious masses. It will do this: 1. By supplying to their industries a circulating medium sufficient in quantity to restore the general level of prices in our home market to a basis of normal profit. 2. When this level is reached it will sustain it by so regulating the volume and distribution of money that it will expand with the expansion of our domestic and foreign trade. 3. It will thus give constant

employment to labor at fair wages and a fair and constant profit to prudently conducted business, by giving *stability* to business and employment. 4. It will stop over-trading by the banks through undue expansion of their interest-bearing credits, by reducing to a minimum their right to bank on the deposits of their costumers, and forcing them to base their credits almost wholly upon their own capital, surplus and undivided profits. 5. The gap thus made in our present fictitious circulation by this dimunition of bank credits it will fill with *actual money*. 6. It will make this money of gold, silver, and paper, all made full legal tender, so that every dollar of it will pay one dollar of debt wherever found, whether in the pocket of a hod-carrier or the vault of a bank. 7. It will thus cut in twain the power of the banks by depriving them of the power to corner the money of the people. 8. It will maintain the equal purchasing power of all dollars by making them interchangeable with each other at the public Treasury at the option of the Government, and will exercise that option according to the condition of the different funds therein. 9. By these various measures it will largely increase business transactions based upon cash, and diminish those based upon interest-bearing credits, thus greatly reducing the terrible burdens which interest charges now levy upon industry, and, 10. It will in the future, prevent or greatly moderate monetary panics, whether of the kind caused by the sudden contraction of credits by the banks to promote speculative movements in prices, or to save themselves from the results of their own over-trading, or by those great and unexpected public

calamities which occasionally befall, and which no foresight can wholly guard against.

In their relations to their customers it is still the common belief that the banks are institutions possessing large capital of their own, which they risk in the business of supplying to the public much needed facilities for commerce. For this reason they are almost venerated by many as being partly benevolent concerns, entitled to much consideration as public benefactors. This belief, however, is a gross delusion. Since the close of our late civil war the whole method of banking has been radically changed. Their capital is now purposely made as small as possible, so that their actual risk may be trifling. The legal reserves required to secure their depositors practically absorbs their entire capital, and their whole *active* business is done upon the money of their depositors in excess of such reserves.

To quote from the Comptroller's report: "In the '*sixties*' banks did business upon their capital, supplied the wants of their customers, and earned their dividends with the money which their shareholders supplied. *Now* capital is made *just sufficient to command public confidence.* Usually a large surplus is accumulated, but the *business is done upon depositors' money.*"* We thus have the testimony of the Comptroller to *the effect* that the method of doing business by the national banks has degenerated into a mere *confidence game*, practiced upon their depositors and the public. The most notable example of this fact is furnished by the Chemical National Bank, of New York (cited above), with its $23,000,000 of loans and discounts and only $300,000 of capital supplied by its shareholders.

*Comp. Rep. 1892, p. 41.

Resting upon confidence only, the banks must have the *confidence* of the public, and upon this unstable *confidence* and its twin brother *credit*, do we base the industries of more than seventy millions of people. It is the mutual need for a continuance of this confidence on the part of the public in the solvency of the banks, and of the banks in *their own solvency*, which gives the latter a large share of their despotic power, and causes such frantic denunciations of those who seek to establish a currency and banking system which will be safe and sound, not by *enlarging* but by *curtailing* the power of the banks. He who lives in a house knowing that its foundation is rotten, fears to have it touched, even for the purpose of making it secure. Yet secure it must be made if he is to dwell in safety.

To maintain their power, based upon unjust legislation or failure to legislate, the banks must necessarily control the law-making power of the Government. To do so they must control political parties in their declarations of principle. This they have secretly done for many years. To this end they have: 1. Covertly intimidated their debtors by threats to withdraw their favor from them, and, 2. By electing party politicians whose ambitions they have gratified by supplying the campaign funds necessary to influence or corrupt the public franchise.

Thus on March 23, 1896, to influence the declarations of principles of political parties in the then approaching presidential campaign, the American Bankers' Association issued from its office in Wall Street a circular letter containing, among other things, the following:

"*To the Bankers of the United States:*

"At a meeting of the executive council of the American Bankers' Association, held in this city (New York) on March 11, 1896, the following declaration was made by *unanimous* vote: [Then follows in capital letters.]

"The executive council of the American Bankers' Association declare *unequivocally* in favor of the maintenance of the existing gold standard of value, and recommend to all bankers, and to the customers of all banks, the exercise of *all* of their influence as *citizens* in their various States to select delegates to the political conventions of *both* the great parties who will declare *unequivocally* in favor of the maintenance of the existing gold standard of value."*

Of the two political parties referred to in the circular, the program failed at Chicago and won in St. Louis. Thereupon the banks, which had elected Mr. Cleveland in 1892, changed their politics and elected Mr. McKinley in 1896.

This result was but the culmination of the conspiracy formed by the controlling banks in New York to repeal the silver purchasing clause of the law of 1890, first brought to a head on March 12, 1893, when, in its circular letter of that date the Bankers' Association, addressing all national banks, said: "You will at once retire one-third of your circulation and call in one-half of your loans. Be careful to make a money stringency felt among your patrons, especially among *influential business men.* * * * Use personal influence with Congressmen, and particularly let your wishes be known to your Senators.

*Con. Record, 1896, p. 6113. Speech Hon. Henry M. Teller.

The future life of national banks as fixed and safe investments depends upon immediate action, as there is *an increasing sentiment in favor of Government legal tender notes and silver coinage.*"

When this circular had begun to produce its intended effect by the withdrawal of bank accommodations and the calling in of their loans, and the rumble of the coming storm began to be plainly heard, the Secretary of the Treasury (Mr. Carlisle) went to New York, where on April 27, 1893, he held a noted interview with the presidents of the leading banks, full accounts of which were published in the press and whose accuracy has never been denied. In this interview Mr. Carlisle assured the banks that it was the fixed determination of the Cleveland administration to repeal the silver purchasing law, to show (among other things) to the silver miners how evil its effects were upon their fortunes. This satisfied the demands of the banks. Everybody shook hands and there was harmony all round, the presidents assuring Mr. Carlisle that they would be ready "at all times to co-operate with him."* And they kept their promise.

Similar examples showing the disgraceful dependence of the Government upon the controlling banks could be multiplied indefinitely. Contrast this wretched spectacle with the clear, resonant, and patriotic utterances of Mr. Justice Bradley in his concurring opinion in the Legal Tender cases, cited above, in which he says: "Another ground of the power to issue Treasury notes or bills is the necessity of providing a proper currency for the country and *especially* of providing for the failure or disappearance

*Con. Rec., 1893, p. 951.

of the ordinary currency *in times of financial pressure and threatened collapse of commercial credit.* Currency is a *national necessity.* The operations of the Government, as well as private transactions, are wholly dependent upon it. The State governments are prohibited from making money or issuing bills. *Uniformity* of money was one of the objects of the Constitution. The coinage of money and the regulation of its value is conferred upon the general Government exclusively. That Government has also the power to issue bills. It follows as a matter of necessity, as a consequence of these various provisions, that it is *specially the duty* of the general Government to *provide a national currency.*"

Thus while the controlling banks were withdrawing money from circulation and purposely causing financial ruin to millions of people, in order to obtain a closer grip upon their industries, the continuing voice of this eminent jurist was heard from the grave enforcing it as a *special duty* resting upon the conscience of the Government to *issue money* whenever there is great "*financial pressure and threatened collapse of commercial credit.*"

In very truth such *is* its duty. It was for this largely that it was formed. It is not only its duty to provide at *all* times an ample circulation, but it is an especial duty to issue an *emergency circulation*, whenever from *any cause*, natural or artificial, money shall suddenly disappear from circulation in such degree as to threaten a general destruction of values and collapse of commercial credit. If when Mr. Carlisle had his conference with the New York bankers, he had been fortified by a general act of Congress

authorizing and commanding him to issue additional legal tender paper to meet such emergencies, the money thus issued to be paid out in meeting the ordinary expenses of the Government, he would not have needed to lower the dignity of his country by bowing the knee in the presence of a few bankers whose *real* business it is to gamble in prices, under conditions equivalent to the use of loaded dice. If Mr. Carlisle had had such a law behind him he could have said to them:

"You have informed me that you intend to secure the repeal of the Sherman Law through the effect upon public opinion of a disastrous panic, which you propose to create by refusing further accommodations to your customers, calling in your loans, and as they are repaid to you, locking up the money received in your vaults, until it shall please you to let it out again. I, therefore, inform you that the sovereign power to create money is not exercised for the personal benefit of any class, but for the benefit of the entire people. In all emergencies, such as you propose to create, I am commanded by law to protect the people by frustrating your plans. I, therefore, notify you (if you proceed with your scheme) that for every dollar you draw into your vaults, or, by terror, drive into hiding, I will supply its place by another dollar issued directly to the general public in meeting the ordinary expenses of the Government."

It is needless to add that with such a law and such a speech, all panic-breeding circulars would have been speedily withdrawn, and the only anxiety of the banks would have been to see which of them could first get its

money into circulation again. This result would have been still further assured had the law commanded (as it ought to do) that any national bank entering into such combination shall at once be thrown into liquidation and its franchise forfeited. The mere existence of such a law would of itself prevent all attempts by the banks to repeat the experience of 1893, because they would know in advance that such attempts could only end in disaster to themselves.

Nor should the issue of such *emergency circulation* be limited to cases where "financial pressure or collapse of commercial credit" are threatened by combinations or conspiracies on the part of the banks to cause a fall in prices in order to unduly influence legislation against the common interest, or in aid of speculative movements. Such issues should be made in *all cases* when the *emergency occurs*, no matter how it may be induced. The power is for the protection of the people, and the people should, therefore, *always* be protected.

It may be objected that to issue additional money whenever an emergency exists, would finally result in a redundant circulation when the emergency has passed and the ordinary supply of money comes out of hiding, and that this would so advance prices by cheapening money as to destroy the equity of time contracts. To guard against this danger in Britain the Bank of England is permitted by law to *temporarily* issue uncovered paper, to be retired from circulation when the emergency is passed. In Germany such special paper issues are forced out of circulation, when the emergency no longer exists, by a heavy

tax levied upon it and charged up to the bank issuing it.

The great advantages over the European plan of issuing this emergency circulation directly to the people, by using it to defray the current expenses of the Government, are apparent. The additional circulation would be paid out in every section of the country, thus assuring confidence and giving relief to all. The mere fact that the Government *could* and *would* come to the rescue of imperiled industry, would of itself prevent the wild and unreasoning fear which lies at the bottom of every monetary panic. It would obviate the danger of runs upon the banks doing a legitimate instead of a speculative business, and practically have the effect of a Government guarantee of their solvency, without its assumption of any obligation whatever on their behalf. It would infuse into the management of every legitimate business enterprise, such confidence in its ultimate success by assuring stability to business, as to encourage the investment of capital in industrial pursuits and discourage the speculative movements which now transform nearly all business into a species of gambling. Thus will the outflow of this emergency circulation relieve the temporary stringency in the money market, restore public confidence, and speedily bring back the hoarded money into active use, while all redundancy in the total volume of our general circulation by its issue, can be absolutely prevented by the simple expedient of cancelling a dollar of paper money received by the Government in payment of ordinary taxes, for every dollar of such emergency circulation previously issued.

By adopting this course of procedure the operation of

the laws for the raising of ordinary revenues for the support of the Government would not be interferred with. No question connected with the tariff, or any other question relating to its fiscal policy, or the rival contentions of political parties, would be affected. General prices would be maintained and public taxes easily paid, while the annual cancellation of money received for taxes, equal to the amount of such new money annually issued, would also prevent any redundancy in the *revenues* of the Government.

Nor do we need to utilize the services of the banks in this direction, and make them, as in Europe, the conduit through which to pass to the people the relief which their business interests temporarily demand. If the banks are permitted to issue this emergency circulation every dollar of it will come into existence, bearing a permanent interest-charge upon its back, thus imposing a heavy burden upon industry as the price of temporary relief. Save the people this wrongful, because unnecessary, burden by issuing the money directly to the creditors of the Government in meeting its ordinary expenses, thus placing it immediately and without charge to the people in *general* circulation. If the banks shall need any of it for use in their business let them do as all others are compelled to do, viz: purchase it in the open market by paying for it its equivalent in value in labor or property.

In the same way should any increase be made in our *total volume* of money, whenever it becomes necessary to supplement our gold and silver coinage by an enlargement of our paper issues. Instead of devoting them to

any specific purpose, such as the construction of public works, or any other public enterprise of a local character, these issues should be put in *general* circulation in meeting the current expenses of the Government, and the *revenues derived from taxation* expended as now in such ways as the wisdom of Congress may suggest, and within the scope of its constitutional powers.

By all means let the Government keep out of the banking business, and dissolve its present libidinous connection with the banks. Let it assume its true position as a *sovereign* by exercising the *plenary* and *exclusive* control *of a sovereign* over the issue, supply, and distribution of money. Let it annihilate forever the present perverted system of monopolistic paternalism, under which the money-changers are made the "*curled and petted darlings*" of the State. Let it restore individual opportunity to the people and re-establish equality in contracts by restoring sufficiency and equality in money.

When this is done we will have, for the first time in our history as a nation, a true and lasting

American System of Finance.

CHAPTER IV.

PROSPERITY.

What is Prosperity?

For the last five years the word *Prosperity* has been upon every tongue. Its return has been sighed for by those who have missed their customary luxuries or comforts in life, and despaired of by the destitute out of employment. We are now assured by nearly all of the metropolitan journals that it is *here*, but that its further progress must necessarily be slow, and that we must not expect too much from the gilded promises made in its behalf in 1896. We are not informed *why* its progress must be slow—very slow indeed—but the information which they fail to give this chapter will, in part, supply.

At the outset of the inquiry we must ascertain what prosperity *is*, what it consists of, and what are the evidences of its existence. Webster defines the word *prosper* as, "*to be successful; to succeed; to thrive; to gain;*" and the word *prosperity* as, "*advance or gain in anything good or desirable; successful progress in any business or enterprise; success; attainment of the objects desired.*" *National* prosperity, then, must be that condition in which the people of a nation are thriving, advancing, or gaining

in everything that is good or desirable, and attaining the objects of their desire. Measured by this standard, it is clear that we must choose between Webster and the journals, and it will not take us long to choose.

A candid review of our condition as a nation reveals no sadder thing than the change which has come over our public men and press in their estimate of national prosperity. Less than a generation ago we were a nation of property-owners, living in our own homes, rearing our children in habits of economy, and, when the proper time came, sending them out to battle with the world under industrial conditions where integrity and perseverance were sure to bring success. It was *these conditions* that made America what it *was*. It is the temporary loss of these conditions that makes it what it *is*. *Then* prosperity was justly measured by the general diffusion of property among the masses; by the percentage of people in comfortable circumstances, and by the number of those whose happy condition finds expression in the prayer of the Psalmist of "give me neither poverty nor riches, but food convenient for me." *Now* it is measured by the total aggregate of wealth, no matter how unequally distributed; by the number of the over-rich living in the corrupting splendor of luxury, while for the masses, whose toil produces all of the wealth of the nation, *anything* is considered *prosperity* that is above the *soup bowl of charity*.

2.

The Money Power.

The most striking thing connected with the assertions of the metropolitan journals that prosperity is *already here*, is the fact that they all began to assert precisely the same thing at the same time. They began it in August, 1897, immediately after the passage of the Dingley Bill and before there was even a sign of a revival in business. They increased it to a gale of enthusiasm when a sudden and unexpected demand for wheat for export, caused by short crops abroad, finally sent it approximately to the figure where a proper currency system would always keep it in our home market, independent of all questions of foreign demand; and they went wild when the reports of rich finds in the Alaskan gold fields were confirmed.

This uniformity of expressed opinion on the part of the great dailies, whose editorial columns reflect the wishes of their advertising patrons, shows conclusively that there is a secret power which controls their utterances. This power has come to be known as the "*Money Power*," and its *ruling spirit* is the controlling banks in the city of New York. These controlling banks have in their possession lists of all the banks in the country and of the names of their officers; they know the financial condition of all other banks, especially of those belonging to the national banking system, and the extent to which they are indebted to the New York banks. They have the ready means of knowing and doubtless do know of every

leading man in every trust monopoly in the manufacturing and commercial world. They also have or can have lists of every large commercial or manufacturing company or firm in the country, and the names of their managers. They also know the condition of every important railroad, the names of its president and directors, and its financial condition.

The tremendous power thus focussed in a few counting rooms in a single city, is exerted through the agency of the *National Banker's Association* as well as by private letters. A circular is addressed by the association to all bankers, in which is suggested for action by *all* banks a given line of policy relating to business, politics or desired legislation. These suggestions have all the force of commands to all banks indebted to the New York banks, or in such condition that their managers know they will soon be forced to seek a bank accommodation there. In every circular there lurks the covert threat to withhold or withdraw such accommodations unless its suggestions are complied with. Thus are most of the banks of the country brought under the coercion of those in New York.

To carry out the suggestions contained in such circular the local bank calls into consultation its most influential debtors among the business men of the locality, and announce as *its own*, the line of policy dictated in the circular. The same covert threat lurks in the declaration of the local bank. If the debtor is an employer of labor the coercion is extended by him to his employees. If a wholesaler, to the retailer, and by the retailer to the customer begging credit for the necessaries of life. There is

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good reason to believe that there is a growing multitude of men who refuse to be thus coerced, but the method of coercion and its terrible pressure are stated to show how dangerous to all which we hold dear in our political institutions and daily life, is this concentrated power of the controlling banks in the city of New York.

The most amazing thing to those who know the stern, uncompromising qualities that underlie the American character, is the fact that *anyone* should permit this coercion by his bank. In truth, there is more sound than substance in their threats. Many of them are most anxious to be relieved from the tyranny of the New York banks, and *their* threats, therefore, are merely perfunctory. Instead of being in a position to dictate to their customers, they are themselves only kept alive from day to day by the partial payments made by such customers upon their indebtedness. They know full well that any general attempt to carry out their threats would soon involve themselves in ruin. As elsewhere shown, the banks now do but little business upon their own capital. They are, in fact, but little more than *credit mongers*, and are dependent upon the good will of their customers far more than their customers are dependent upon their good will. It is doubtful if many cases can be found where these threats have ever been carried into actual execution. Banks are anxious to do business with all whose business brings them a profit, and the local banks are too shrewd to exchange their immediate gains derived from the business of their customers, and upon which they live, for the future uncertain advantages promised in the banking cir-

culars, especially when they know that such advantages will accrue mainly or wholly to the New York banks. Only a little more manliness of spirit on the part of the customer would soon end these attempts at coercion. A local *combination* of such customers to maintain the independence of their political convictions would certainly end it.

After five years of "*liquidation*" the passage of the Dingley Bill, whereby the manufacturing trusts obtained their desires, and the election of a President and House of Representatives pledged to maintain the present gold standard of valuation, at least until foreign nations shall graciously permit us to abandon it, the controlling banks concluded it was time to permit the people to resume active business. They then announced that their *confidence* being restored, they were again ready to lend their interest-bearing credits upon good security. Thriving, as they do, as parasites upon industry, they were between the "*devil and the deep sea.*" In truth, the longer continuance of paralysis in business would have brought most of them down to the same level to which they had thrust the industrial interests of the country. This was evidenced by the visit of ex-Controller Eckels, while still in office, to Wall Street to urge the consolidation of different banks, because singly they were not paying expenses. They would doubtless have preferred to wait until they had secured a new Congress which would prove more subservient to their demands, but they dared not longer wait. Their own necessities and the increasing savage temper of the country warned them to *permit business to*

resume and take their chances on carrying the Congressional elections in 1898 and the Presidential election in 1900 on the effects of such resumption, aided by the corrupt use of money. This partial *resumption of business* is what the daily press for several months past has been heralding as the *return of prosperity.*

The country will soon learn that while the banks, by again expanding their credits, can cause *business to resume* they cannot *restore prosperity.* Potent as is their power over the credit system of the country, that system, bottomed upon an inadequate supply of money (legal tender), cannot raise the general level of prices above the comparatively low level necessitated by such inadequate supply. Within the limit of fluctuation, possible to this low level, bank credits can cause a speculative and temporary advance in prices, but this speculative advance *itself* cannot go beyond the capacity of the money supply to support it, nor can the *stability* of such advance be maintained so long as in the end all of our industries are tied down to the gold standard, eked out by bank accommodations.

The general price level which has prevailed during the panic years was based almost wholly upon our volume of actual money, aided only slightly by bank credits or accommodations. The low prices during those years have shown how grossly inadequate to maintain prices is our supply of money. *Now* bank credits as a *substitute* for money are again being expanded to reinforce this inadequate supply. These credits can, and probably will, advance prices beyond those prevailing in the panic years,

but cannot raise them to the level existing *before the panic.* We have resumed business on a general price level much lower than that existing when the panic began. When bank credits have again been fully expanded, a new level will be created higher than that of the panic years, but lower than that existing before the panic. This lower level (above or below which prices will fluctuate under the operation of the law of supply and demand) will be *permanent* until another financial convulsion, caused by another withdrawal of bank credits, shall send it to a level still lower.

It is to be remembered that under the present policy of our Government to have no more money than can be redeemed in gold, the total volume of our money must be limited to the supply of gold available for redemption purposes. The scarcity of gold, therefore, compels us to transact our immense domestic commerce with a grossly inadequate supply of money, and to resort to interest-bearing credits to eke out such supply, with the necessary result of a constantly increasing burden of interest-charges levied upon production, as heretofore and hereafter shown. As the population and business of the gold-using nations are constantly increasing much faster than the supply of gold available for monetary use, it is clear that the supply of gold is constantly diminishing, when considered in its relation to such increase in business and population. This relative diminution in the volume of money must continue to enforce a downward tendency in prices in the gold-using nations with the accompaniment of ever-increasing debts and absorption of the property of debtors by the money-lending classes. Bank credits of all kinds, by aiding the insufficient supply of money can and do temporarily check the gradual, but irregular, de-

cline in prices, and infuse into them a temporary fever of speculation, but with each recurring withdrawal of such credits and resultant monetary panic, the general price level must sink to a still lower and lower plane, which plane is the *general price level of the markets of the world*. This is the price we are now paying for the use of "*international money*" (gold) in the conduct of our domestic business.

3.

Production and Distribution.

Political economy deals with the production and distribution of wealth. Of these two grand divisions into which it is divided the first should ever hold a rightful primacy in the estimation of the State. All else depends upon production and for this reason *its* interests should be the first care of those who make, interpret or execute the laws. The entire prosperity of a nation is based upon the prosperity of the laboring masses engaged in the fields of production. Those who transport or market the products of their labor serve indeed a useful purpose in industrial economy, but they would all soon starve if production was absolutely limited to the needs of producers only. In the end the producers of wealth bear all the burdens of civilization and upon the profitableness of *their labor hangs all of the prosperity of the distributing classes*, chief among which are the great transportation and commercial interests. In the latter is properly included the manufacturer, who, *under normal conditions of business*, is in fact a merchant differing from the ordinary merchant only in this, that instead of buying his goods ready made and selling them, he first buys the raw materials, makes them up into goods himself and then sells them as a merchant. In the end his business and interest make him a distributor rather than a producer of wealth.

In all the bitter words of condemnation in which the sense of deep-seated wrongs finds expression, none are ever heard against the wealth producers. They are all directed against those engaged in its distribution. The trouble all comes from those who stand between the producer and consumer. The labor of those who produce all the wealth of the nation goes on incessantly, but the greater portion of its avails goes to those engaged in simply distributing it.

It is the custom in speaking of the interest-charges paid by the farmers to state the aggregate of their real estate and chattel mortgages, and *assume* that *this* is the measure of their burdens. It may startle those who thus think to know that the wage-workers and the farmers not only pay their own taxes, and the burden of interest which they have assumed by contract, but that *under normal conditions of business* they also pay nearly all the taxes and interest-charges which the great transportation, manufacturing and commercial interests are generally supposed to bear. That this is true is easily shown, thus:

The interest-bearing bonds of the American railway system equal in amount the entire cost of its construction.

Yet in the sense that taxes are a burden the railways pay neither taxes nor interest-charges. In fixing their freight and passenger rates the railways include them as a part of their fixed charges and establish their rates so as to cover them and leave a profit over all expenses. Thus while they *collect* these charges and turn them over to the tax-gatherer and bond-holder, they are really *paid* out of the *price of productive labor*. So, also, as a part of the fixed expenses of his business, the merchant sums up his taxes and interest upon his outstanding notes and fixes the price of his goods accordingly. He *collects* his taxes and interest-charges, but they are ultimately *paid* by those who buy his wares, consisting of the wage-workers and the farmers, who constitute the vast majority of the people. Again, the manufacturer borrows money to erect his plant, and when he comes to sell the products of his factory he fixes their price at a figure which includes his taxes and the interest-charges upon his borrowed capital. He thus *collects* these items of expense, but they are *paid* like those of the ordinary merchant, by the consumers of his goods.

We thus see how, *under normal conditions of business*, the wage-workers and the farmers, in addition to paying the debts voluntarily assumed by themselves, have also cast upon their shoulders the burdens of taxation and interest-charges, created by the business and speculative movements of those engaged in the distribution of wealth. In the economic scale there is no laborer below the wage-worker, and no capitalist below the farmer, upon whom *they* can shift the weight of their own burdens, or those

cast upon them by the speculative or distributing classes. They are the *foundation* upon which rests the whole superstructure of business and civilization, and *their permanent condition measures with unerring accuracy the degree of a nation's prosperity*.

During the last five years those engaged in the distribution of wealth have complained bitterly of the heavy drain upon their resources, caused by the payment of taxes and interest-charges. It may interest them to know that the poverty of the wage-workers and the farmers has been so great and their consuming power so small that the burdens laid upon them, *under normal conditions of business*, by the distributing classes, could no longer be borne. Unable to shift their burdens upon the shoulders of others, the latter classes have had to *pay* their *own* taxes and the interest-charges accruing upon their debts. As they could not pay them out of the *profits* of their business they have been compelled to pay them out of their *capital*. The only way to solve the problem of how to secure the return of a genuine and lasting national prosperity, is to give to the producing masses, composed almost wholly of the wage-workers and the farmers, a healthy surplus of profit upon their labor and capital. When the millions *at the bottom* are prosperous, railroads, manufacturers, merchants, and all others engaged in the distribution of wealth, need borrow no trouble of the future.

4.

The Farmer.

The census of 1890 shows that about one-half of our people make their living through the cultivation of the soil. This percentage will probably be increased to three-fifths if we add those living in the cities, towns, and villages, whose business is exclusively or mainly with the farmers. As national prosperity can only come through the prosperity of the farmers and wage-workers the effect upon *their interest* of a currency system composed of gold money and bank credits only, becomes a matter of vital importance. The partial resumption of business has come through the renewed extension of bank credits under the conditions imposed by the gold standard, which, in defiance of law, has been forced upon the country for several years past by executive usurpation. These credits have been extended only to those engaged in speculation and in the distribution of wealth. They have also "*started up the mills*," and this, together with the work of renewing the worn out rolling stock and other equipments of the railroads will, *for a time*, give employment to many men in addition to those directly in the service of the roads. In short, bank credits can, and probably will, infuse a partial and *temporary* life into our mechanical and distributive industries, and in many lines of production that supply his raw materials to the manufacturer. This is better than nothing, on the principle that low wages are better than no wages, and a sick man better than a dead one.

But the *resumption of business* is one thing, the *restoration of prosperity* is another.

Until the general price level of our agricultural products is materially and permanently raised in *our home market* this nation will never again see prosperity. It is to the home market that the merchant and manufacturer must look for the sale of their wares. Our entire foreign exchanges only amount to one twenty-fifth of our total trade, and one-half of this total trade depends upon the custom of our farmers. To them there may come from time to time a temporary windfall of profit, due to "*war, pestilence, or famine*," at home or abroad, but *prosperity* can never come to any business whose *profits* are limited to the "*chapter of accidents.*" Without a material rise in the price of our farm products the resumption of business based upon gold money and interest-bearing bank credits, can only continue in more aggravated form, the continuous decline in the value of farm lands, which has been going on for the last twenty-five years.

The reasons for this conclusion are simple and easily understood. By applying the gold standard of valuation of commodities to our domestic trade, our home prices are determined, not by the demands of our own market, but by the markets of the gold standard nations of Europe, in which our surplus farm products are sold. The people of those nations being themselves tied down to the low prices compelled by the inadequate supply of gold there as well as here, are unable to pay our farmers as large a price for their products as they would be if the general level of prices for labor and property was higher

there. This is one way in which, because of the gold standard abroad, our farmers suffer from the loss of a *profitable* European market. Because bread is the staff of life it is the belief of many that wheat can be sent to any price in Europe if the crops are sufficiently short in the wheat-exporting nations. These persons forget that no matter how great the demand may be for even the absolute necessaries of life, their *price* is limited, in the end, by the ability of the would-be purchasers to buy. Nothing is cheap or dear to him who has no money. So if flour was selling for a nickel a barrel, and one could not get the nickel, he would starve to death as quickly as if its selling price was a fortune. Thus short crops abroad even to the verge of actual famine, cannot (under the gold standard) *hold* the average price of our crop of wheat to the "*dollar mark*" no matter how great may be the need for it, nor how much speculative capital there may be behind it. When the price of wheat, or other food products, rises beyond the ability of the consumer to pay, he eats something else that is cheaper. If too poor to do this, he starves. The recent famines in India and Russia and the course of the markets at home and abroad under the exceptional conditions of 1897 prove this.

Another reason why the American farmer can never prosper under the gold valuation standard, is because it forces him into open competition in his European market with the farm products of silver and paper using countries. The use by these nations of a more abundant and, therefore, cheaper money than gold, has so stimulated their production of farm products that they have already largely taken from us our European market and such

benefits as it afforded under the low gold prices prevailing there. In these countries, measured in their silver and paper money, gold is at a heavy premium. From the standpoint of the gold men, this should be terrible indeed. Let us see, therefore, how a premium on gold would operate here, should this result from free silver coinage and an enlargement of Government paper issues.

Let us suppose (reader) that you are a farmer, and that gold is at a premium here of 25 per cent., that is, that it will take $1.25 in our silver or paper money to buy $1.00 in gold money. Let us, also, suppose that wheat can be sold in London for $1.00 per bushel in gold. You now raise 10,000 bushels of wheat and sell it in London for $10,000 in gold. You exchange this gold in London for a New York draft for $12,500, payable in our silver and paper money. You have thus gained $2,500 more money that will pay debts and taxes and buy property here, than you would have gained under the gold valuation standard now prevailing both here and there. This will greatly encourage you to put in a larger crop next year, because in addition to the $1.25 per bushel which you will get in the home market in silver and paper money, you will also have a *profitable* foreign market for your surplus. It is in this way that the premium on gold has, during the last few years, so stimulated the production of wheat in Argentina and cotton and wheat in India, as to destroy the *profitableness* of the *European market* to the American farmer, while the gold standard *here has done the same thing for his home market.* In all arguments on the tariff question we hear much about protecting American labor

from competition with "*the pauper labor of Europe.*" It is not the pauper labor of Europe that we *now* have to fear. It is the pauperizing *money of Europe* (gold) that is slowly, but surely, dragging all American labor (and especially the farmer) down to the European level, and all European labor down to the Asiatic level. Until the American farmer can be released from the accursed "*grip of gold*" upon the price of his labor and products, all hope of restoring *national prosperity* is but an "*irridescent dream.*"

5.

The Manufacturer.

During the late civil war and for many years thereafter a great impetus was given to the manufacturing business and there are many who think that its *prosperity* was due to the system of protective tariffs beginning with that of 1862, and made more rigidly protective in every subsequent tariff except the Wilson Bill, now superseded by the Dingley Act. That the policy of protection stimulated the investment of capital in manufactures cannot be denied. It was entered upon for that purpose and accomplished its purposed end. But while the protective policy gave the control of the home market to the domestic manufacturer, it was not the tariff that made his business *so profitable* for many years. It was the fact that under

the influence of an abundant supply of money and the high prices for labor and property caused thereby, the country possessed such an enormous consuming power that manufacturing plants could not be built fast enough to supply the demand for their goods in the home market.

When in 1866 the policy of contracting our volume of money was entered upon, prices began to fall and continued to do so until the panic of 1873 involved the country in general bankruptcy. With the decline in prices, *profits* in manufacturing grew smaller and smaller. Under the mistaken idea that the loss of profits was due to the too great importation of foreign goods, more and more "*protection*" was demanded. With each increase in the custom's duties new plants were erected until at last there were more than enough to supply the home market, if all importations had been absolutely forbidden. The enormous increase in the amount of capital invested in manufactures appears in the census report of 1890 thus:

Total Capital invested in 1880	$2,780,000,000
Total Capital invested in 1890	6,139,000,000
Increase in ten years	3,359,000,000
*Average annual increase	335,000,000

The high protective tariffs have all been designed to give our manufacturers the control of the home market, and this enormous and continuous increase in the amount of their capital was deemed by the investors necessary to supply that market. On both points the controlling fact has been overlooked by them, that as the plants have increased in number or capacity under the stimulus of high protection, the power of our people to *consume their pro-*

*Abstract 11th Census, p. 140.

ducts has as steadily declined under the continuous fall in prices, caused by an inadequate supply of money, and the enormous interest-charges levied upon production by the substitution of bank credits in lieu of actual money in business transactions. And now (if the banks and other monopolies and trusts can have their way) we are to have still more "*protection*," still *less money*, and still more interest-bearing bank credits as *substitutes* for money.

We have shown how a premium on gold would affect the interest of the farmer. Let us see how it would affect the interest of the manufacturer and merchant. Suppose (reader) that you are a merchant and have been importing foreign goods for sale. Gold now for any reason goes to a premium of (say) 25 per cent. measured in our silver and paper money. You think you will send an order to London for British goods costing there $10,000 in gold. When you go to your bank to buy a draft for this amount you learn that you will have to pay $12,500 in our current money for a $10,000 gold draft. You will thus see that by buying your goods abroad you will lose $2,500 in money that will buy property and pay debts and taxes here, and will conclude that you will save this amount by buying your goods of the manufacturing plants at home. Thus it is that a premium on gold operates (to the extent of the premium) as a bounty upon exports and a protective duty against imports.

That this species of protection is far more efficient than custom's duties can be as long as the gold standard prevails here and in Europe was foreseen long ago by Hon. Wm. D. Kelley, of Pennsylvania, who may be called the

father of the protective system in our generation. In a speech made by him in the House of Representatives in 1878, showing the close connection between an abundant money supply and general prosperity, and particularly that of the manufacturing interest, whose special champion he was, he said, among other things: "What was it that so marvelously quickened our progress between 1862 and 1876? *It was not our statutory tariff.* No; it was the difference between the current value of the legal tender money, with which our immense domestic commerce was carried on, and the money of the gold-using manufacturing nations. The depreciation of our paper made a measure of protection that false invoices, nor any other means of defrauding the revenue, could evade. It was inexorable, and *when stupid people cried out for gold* and were ready to make any sacrifice to bring our greenbacks to par with gold, they were hastening the abolition of the most effective protection the industry of any nation ever had."

The views of Judge Kelley are reinforced by Mr. McKinley, who, in his speech to the pottery workers, made at Canton, Ohio, in August, 1896, said: "At the close of the low tariff period of 1860 there was but one white-ware pottery in the United States, with two small kilns; decoration kilns were not known. In 1873, encouraged by the tariff and the *gold premium*, *which was an added protection*, we had increased to twenty potteries, with sixty-eight kilns."

It was not *paper money* which gave to our manufactures (and all other industries) their marvelous prosperity prior

to 1876, nor is it *gold money* which now prevents the return of such prosperity. It was the fact that we had an abundant domestic circulation of *actual money* at the former date and have a famine of it now. *Then* money was plentiful and prices were, therefore, profitable. The result was that the people mainly conducted their business upon a cash basis, because they were out of debt. *Now* money is scarce and prices are, therefore, unprofitable, and the result is that the people are overburdened with debts, and, hence, compelled to conduct their business on a credit basis, by the use of borrowed money or credits, by which ruinous interest-charges are added as a supplement to unprofitable business.

As the consuming power of the people declined with the decline of the price level of labor and property, the manufacturers were brought into such fierce competition with each other that there was no adequate profit left for their invested capital. The temptation to corner a dwindling market was too strong to be resisted. Competition was succeeded by combination, and the stronger concerns proceeded to confiscate the value of the plants of the weaker ones who were not in the combines. As the market still further declined even this was found insufficient to force an adequate profit. Then began the present system, under which (aided by the discrimination in their favor by the railroads in their freight rates) the great manufacturing monopolies now dictate to the producer the price at which he shall sell his raw materials, and (with foreign competition barred by an almost prohibitive tariff) to the consumer the price which he must pay for the finished products of their plants.

These great monopolies control many banks, and are the faithful allies of those they do not control, in their efforts to *permanently* fasten the gold standard upon the country. It is important that the people should know *why* this is so. The reason is that they have determined to create a larger foreign market for their goods. They have secured another highly protective tariff. This gives them the control of the home market by law, but this market does not now satisfy them. They know that this country has unlimited resources in the shape of raw materials, and that those which principally enter into manufactures are now as cheap, or cheaper, here than in Europe. But there is one thing which stands in the way of their supplying foreign markets with the products of their factories. This *sole* drawback is the *American scale of wages*, which, despite all reductions, is still higher than the European scale. He who has eyes to see, and ears to hear, can soon discover that there is practically a concerted effort on the part of the great manufacturing trusts to reduce our wage-scale to the European level. With labor as cheap and raw materials cheaper here than there, it is plain that they can undercut the price of foreign goods in the European market itself. In fact, they have already begun to do so, as the recent sales in certain lines of goods, so widely heralded in the daily press fully testifies.

Almost any chance conversation with the agents of the larger trusts will bring out the false statement that the "*country is nearly filled up and that wages must necessarily come down.*" They are thus slowly and treacherously preparing the public mind to accept that condition which

it is their evident purpose to create. Thus (for illustration) Senator Elkins, in an interview published in the Cincinnati Enquirer in the fall of 1897, in speaking of the condition of the coal trade, said: "*Wages must go down.* Wage-earners do not wish to see it, or believe it, but it is so. *We do not export to Europe because we have wages against us*, and that is the whole kernel of the coal trade." Such evidences can be multiplied without number.

The trusts are too shrewd to openly proclaim their purpose, but it would be going too far to assume that they do not know that to subject our immense domestic commerce to the blighting effects of "*international money*" (the gold standard) will soon reduce wages to the *present* European level. They do not stop to reflect (let us hope) that the European wage level under the same curse of an inadequate supply of money is *itself* constantly declining to the still lower Asiatic level.

The ultimate end of all this is apparent. As the wage scale in America is forced down to the European level, the consuming power of the wage-workers declines in proportion and the home market becomes still more contracted. Insufficient wages always produce inefficient labor and under the hopeless discouragement of the laborer and the loss of self-respect which comes with the loss of opportunity to rise, it will not be long before it will take the labor of two men to do the work which one does now. Thus while the home market wanes through the reduction of wages, the *cost of production* to the manufacturer (and all other employers of labor) will remain about the same. In

fact complaint is already general among employers that the workingmen are too lazy to work. They do not stop to enquire how industrious *they* would be if they knew they were forever shut out from all advancement. Give him a *motive* for toil and even the tramp becomes industrious.

Against this degradation of the laboring masses now being purposely or ignorantly wrought by the great manufacturing trusts (working in unison with the banks) every true American most earnestly protests. It does not even have the excuse of necessity. It is a wanton and stupid attempt to gain great wealth by establishing a financial system which will permanently ruin the masses of the people and at the same time confiscate the values of all manufacturing plants not in the combines. It is not many years ago that the mills ran night and day and their products were piled up in their warehouses without waiting for customers. The consuming power of a prosperous people was a sufficient guarantee of ready sales. *Now* the home market has become so weak that they do not dare to trust to the future without special orders. When the orders stop the mills shut down, and start up again when orders come in. The losses entailed upon employers and employees alike by this *unstable and rickety* method of doing business are beyond calculation.

There is no surplus of mills in the country. The trouble all lies in the loss of profit in their home market through the poverty of the people, compelled by the irregular but continuous fall in prices, caused by an inadequate supply of money. The only remedy is to reverse this

policy of destruction and give to labor of all kinds a healthy surplus of profit, and thus place in the pockets of the wage-workers and the farmers (and all other consumers) the means to purchase the wares of the manufacturer and merchant. The consuming power of the average American is now probably not more than one-third of what it was in 1866, when the ruinous policy of contracting our volume of money was so cruelly entered upon. Conservative estimates place our present population at seventy-two millions. If, instead of trebling, we should only double the consuming power of the people by causing a healthy rise in the general level of prices of labor and property by supplying them with an adequate volume and proper distribution of money, this would double the demand for the products of our factories, and be equivalent to *doubling our population.*

By all means let us not only "*start up our mills,*" but *keep them running when started.* Not a few of them, not those of the trusts only, but *all* of them. Do this in the only way in which it can be done, by giving back to them a home market whose consuming power will be equal to the capacity of the mills. For lack of this home market, capable of easy restoration by a healthy increase in and the proper distribution of our volume of money, billions of idle capital are now sunk in our manufacturing plants. Save this capital by doubling our home market, and, at the same time, extend our foreign trade, not by lessening production by means of the gold standard, falling prices, trust monopolies, reduced wages, and the ever-increasing burden of taxes and interest-bearing debts, but by increasing both production and consumption by the regeneration of all our domestic industries through an *American system of finance.*

6.

Indebtedness as Bearing Upon Prosperity.

That the public and private indebtedness of the nation is enormous we all know. Just *how* great it is, no one knows, and we can, therefore, only approximate it. In their joint debate in Chicago in 1896 between Messrs. Harvey and Horr, Mr. Harvey estimated it at forty billions, and Mr. Horr practically admitted that it was as high as thirty billions. This latter sum was more than ten times as great as was our national debt at the highest point it ever reached, and about one-half as great as the total value of all the property in the country. For our present purpose it is not material to get at the *exact* figures (which is impossible) and the estimate of Mr. Horr will be taken as correct, because of his large means of knowledge on the subject, and because his admission was *against his interest in the debate.*

Neither can we more than approximate the amount of indebtedness which has been cancelled since 1893 (when the panic began) by the foreclosure of mortgages, sale of collaterals, or voluntary surrender of property by debtors. All we know is that the "*liquidation*" by these means

has been very great. The aggregate of indebtedness, however, is probably as great now as when the liquidation began. This is because the sacrifice of many securities has only resulted in the partial payment of debts, and because of the postponement in payment of accruing interest-charges by creditors willing to extend indulgences and leave their debtors in the possession of their property, rather than absorb it by foreclosure and assume the burden of taxation upon it at a time when it could yield them no profit.

It is a conservative estimate, therefore, to adhere to the figures of Mr. Horr and place our present (public and private) interest-bearing indebtedness at thirty billions (thirty thousand millions) of dollars. Averaging the interest on this sum at 6 per cent. per annum, our annual interest-charges amount to the sum of eighteen hundred millions. Now add the total amount of revenues annually collected by taxation for national, State, and local purposes, amounting in 1890 (and certainly not reduced since then) to the sum of ten hundred and forty millions,* and we find that for interest-charges and taxes alone, productive industry is still burdened with an annual charge of two billion, eight hundred and forty millions of dollars. This sum is three hundred and eighty millions greater than the *gross value of all our agricultural products* in 1890, when the general price level of farm products was much higher than now, amounting then to two billion, four hundred and sixty millions of dollars,† and (under the lower prices prevailing now) so far *in excess* of their

*Abstract 11th Census, page 194.
†Abstract 11th Census, page 91.

present value as to cover the gross value of the entire products of all our *mining industries* also, amounting in 1889 to five hundred and eighty-seven millions.*

Extended comment on these figures is unnecessary. While they speak for themselves to all, they are especially commended to the consideration of the great manufacturing and mercantile classes, who will readily see that every dollar which productive labor is forced to pay in the shape of taxes or interest-charges, *leaves a dollar less* with which to *purchase the wares which they make or sell*, and to that extent deprives them of a market for their goods. Nearly two-fifths of all our annual avails of productive labor is now absorbed by these two items of expense alone, whose payment continuously grows more burdensome with the continuous decline of the general price level of commodities. It is plain that under a continuance of such conditions a resumption of business cannot bring a return of prosperity, but means only that industry will be again set in motion to earn the inevitable taxes and interest-charges with which it is now, and increasingly will be, over-burdened. This it will be forced to do without hope of the ultimate payment of the principal of the indebtedness, but with the certainty that if not arrested this burden of debt will end in the concentration of all wealth in the hands of a few, and interest-charges be continued forever in the new form of *rent*.

A tax and interest burden which thus absorbs the entire gross value of all the products of our two greatest and most vital industries, cannot be borne without such a reversal of our financial policy as will raise the general

*Abstract 11th Census, page 169.

price level of all labor and property to a scale commensurate with the scale of civilization in which our people were reared, and with the burdens which productive industry has to bear. When this is done prosperity will not only come, but *come to stay.*

7.

Low Wages and Cheap Goods.

In 1888 Hon. Benjamin Harrison, then a candidate for the presidency, in one or more of those terse and stirring speeches which he made to the visiting delegations at Indianapolis in behalf of the manufacturing interests, dwelt most strongly upon the fact that a "*cheap coat makes a cheap man.*" The issue then was the tariff, and he was replying to criticisms by his political adversaries of the policy of "*protection,*" which he advocated. Whether the high protective tariff then in force was the best way to avoid *cheapening men* need not be discussed here, as it is foreign to our subject. But since then while we hear the same sentiment expressed in *tariff* contentions, we see the same class of men who utter it completely changing their tune when the *money question* is under discussion. As this is *now* the paramount issue, we *now* hear from them the directly opposite sentiment, that "*low wages and cheap goods*" are the things to be most ardently desired.

Thus they advocate "*high wages and dear goods*" when the question is, whether they shall have foreign competition in the sale of their wares in the home market, and (when this competition has been barred out) *low wages and cheap goods*, when the question is how they can successfully compete in foreign markets by driving down the cost of production at home, which they are now doing by means of the gold valuation standard. Thus while they demand protection for their own industry through high protective tariffs, and refuse to listen to any plea for a healthy competition in the home market (to secure which the whole protective system was defended for a century) and in order to compete in the foreign market by *arbitrarily* lowering the cost of production here, they do not hesitate to force the price of *farm products* down to the cost of production at home and expose the farmer in the sale of his products to unrestricted competition abroad.

To reconcile us to this condition we hear, or read, much in the daily press of our advance in civilization and how the inventive genius of the age and improved methods in production and economies in business, have reduced the cost of production. The wage-worker is told how all farm products have grown cheaper, so that he can live on much lower wages than formerly, and the farmer is told how much cheaper he can buy the products of the factory, and that he *now* has no use for high prices or much money. In short, we are all adjured to sing the praises of low wages and cheap goods, because cheapness (it is claimed) enables *all* of us to get our just share (indirectly) of the benefits flowing from the enormous increase in the use of labor-saving machinery.

It is impossible to treat seriously this gross perversion of every principle of political economy, and all the facts of history. For centuries the fancied blessings of *cheap labor* and *commodities* have been enjoyed in Europe, and yet the untold millions, familiar with them all, who have come to our shores, fled from them as from a veritable plague. A cheapening of the necessaries of life by the use of labor-saving machinery and improved methods of production *may* indeed be made a benefit to mankind, but *only* where the *labor* of *the machine* lowers prices *by increasing production very much faster than the wage rate of the living workman who operates it falls.* Then only can labor receive its just share of the benefits of the civilization which it sustains. To crush down with anything like equal rapidity the price of labor and its products, and use the cheapening of such products as a reason for cheapening labor in the same degree, means only that our boasted evidences of civilization are only evidences of its rapid decay.

The cheapening of wages and commodities does not lower debts or taxes, but makes them still more onerous and difficult to pay. A general and substantially equal decline in the price of labor and its products causes *actual want* to tread closely upon the heels of living expenses, and leaves no margin of profit for saving for the future, nor for unexpected sickness, financial losses nor any other of the inevitable *accidents* of life, equal in the long run to at least 25 per cent. of the gross income of labor or avails of business. Such a condition is also destructive to the equities of all time contracts by making their fulfilment

more and more burdensome No matter how *rapidly* or *legitimately* the cost of production may be lowered by the use of machinery, the "*living wage*" as the first charge upon production and the *equities* of *time contracts* as between creditors and debtors can and should be equitably maintained by *the proper regulation of the supply and distribution of money.* Without this the *entire* benefit of the legitimate cheapening of the necessaries of life through the use of labor-saving machinery will go to the capitalist, while the laborer will sink lower and lower in the social scale.

In our industrial and social life we are *now almost* down to the European level. The fields of labor are over-crowded with women and children. In many reputable walks of life the combined labor of father, mother and children old enough to work, scarcely earns as much as an honest wage and steady employment given to labor, or a normal profit and stability given to *legitimate* business would enable the father to earn alone. Professional men are abandoning their professions and acting as clerks or porters. Former merchants are earning a scanty living as bookkeepers for the trusts which have ruined them. Banks are unable to realize on their securities, and their insolvency would soon appear if, like others, they should be called upon to pay their debts. The unskilled laborer of a few years ago is now a confirmed tramp. The skilled workman is now doing the work of unskilled labor, and billions of idle capital are now locked up in factories that are silent or running without profit.

Our farm lands are being worn out and abandoned be-

cause the low general price level of their products will not admit of keeping up their improvements and fertility. Nor is this confined to New England. It is also true of almost the entire South, and especially of the friable, but naturally productive, soils that follow the Allegheny Range on either slope. In the central West may be seen large areas of land formerly drained and most fruitful, now returning to their original sodden condition, because the drainage system can no longer be maintained. Even the general character of the live-stock of all kinds on our farms is deteriorating, and a nation of home-owners is being rapidly transformed into a nation of tenants, paying a perpetual tribute to the money-lender or landlord for the privilege to live. As under the gold standard Europe slowly sinks to the Asiatic level, so America slowly sinks to the European level. There is no stopping place unless the decline of civilization, whose evidences are visible on every hand, is arrested by the ballot box here and the cartridge box abroad.

No true American need despair of the future. In every great crisis in our history the people have ever risen to the full heighth of every emergency as soon as its nature has been clearly seen, and under the guidance of Divine Providence have guarded against every danger. The century now drawing to a close has been a marvel in invention and in material progress along all lines of human endeavor. The world fairly riots in its sense of material power, yet looks with ominous dread to the future. Creeping close upon the heels of progress there follows the dark shadow of growing and just discontent, which

no enchantment can dissipate except justice and the restoration of equality of opportunity in the race for life. In our own land this justice and equality are now denied. The task of the coming century will be to so adjust the tremendous forces of modern civilization that its benefits may *fairly* be enjoyed by *all*. To do this many economic and social problems press hard for solution, but in importance the money question overshadows them all. The other questions relate mainly to the out-go in our expenditures; the money question to the income of our receipts. Until we are able to gain an adequate income to spend, we can well afford to make *this* the controlling *issue*, even while we also discuss the further questions of how we will spend it, and of how much of it we will permit the tax-gatherers and monopolies to despoil us.

The movement for a true monetary system, devised in the interest of the industrial masses instead of the money-changers, has at last reached that stage which all great and successful reform movements reach, where its friends and foes alike contribute to its final success. Its friends, by the hardening of their resolution and determination to succeed, and its foes by their open insults to the nobler sentiments and wanton aggressions upon the rights of the people. But for these the "*Slave Power*" might have endured on this continent for another century. And so the insolence of the "*Money Power*," unredeemed by manly courage and reeking with corruption, now foreshadows its speedy overthrow. A courageous maintenance of the fight for industrial freedom will soon win the battle.

[THE END.]

APPENDIX.

This book was in press when war was declared against Spain. Since then many questions connected with the war have been brought to the front by the controlling banks and their attendant monopolies for the purpose of distracting public attention from their scheme [now far advanced] to place our monetary system and all of our domestic industries upon an exclusively gold basis. Most of these war questions are more or less transient in their nature. They will not become "living issues" until after the congressional elections in November. Their final disposition will rest with the present Congress when it meets in December next when the Treaty of Peace shall come before the Senate for ratification. Not being vital issues *now* no lover of his country will *now* permit them to distract his attention from the "*greatest question of all time*" viz: the money question.

On June 15, 1898, the Committee on Banking and Currency, in the present House of Representatives reported favorably House Bill No. 10,289. On the coming in of the report the bill was referred to the *Committee of the Whole House*, and now stands ready for action as soon as Congress meets in December next. The bill has the support of every republican on the committee

except the chairman, (Mr. Walker) who filed a minority report, in support of the *Walker* bill, also a gold money and bank currency measure. Before congress adjourned it was reported in the Washington Press that House Bill 10,289 (known as the Hill—Fowler bill) met with the practically unanimous support of the Republican members of the House as shown by a canvass of their votes. *This* bill therefore is *now* the only *immediate* and *vital* issue in our national politics.

General Features of the Bill.

The bill is designed to place our monetary system absolutely upon a gold basis. All of the partially monetized paper money of the government is to be retired from circulation. The Greenbacks, Sherman notes, National Bank Notes, and all gold and currency certificates received at the Treasury are to be cancelled, the silver dollars made redeemable in gold coin, and the Bland (silver) certificates based upon the uncoined silver bullion in the Treasury, and now redeemable in silver dollars are to be issued in denominations of ten dollars or less, to serve as a medium of exchange in carrying on the smaller business transactions of the people. As these silver certificates are redeemable in the silver dollars, which the bill proposes to make in their turn redeemable in gold coin, the ultimate effect is to make all of our present silver circulation (both coined dollars and certificates) redeemable in gold. Thus all

of our partial legal tender paper money is to be retired from circulation and gold money only is to be our legal tender.

To get the gold with which to redeem the whole of our present currency, including our large stock of silver and its paper representatives, the Secretary of the Treasury is authorized, 1st, to use all the gold coming into the general treasury in excess of fifty millions; 2d, to issue absolutely at his discretion and without limit upon their amount certificates of indebtedness bearing interest at three per cent per annum, and payable in gold coin in not less than one nor more than five years; and, 3d, to invest the greenbacks and treasury (Sherman) notes received by the treasury, in interest bearing obligations (bonds) of the United States, and in *his discretion* sell the same for the benefit of the gold reserve.

Machinery Provided to carry Bill into Effect.

To carry the bill into effect, eight years are allowed to complete the change from our present to its proposed system. To this end a separate division of issue and redemption is created in the Treasury, whose operations are to be independent of its ordinary transactions. For this purpose three Comptrollers of the Treasury, to hold office for twelve years (one to retire every four years), are to be appointed by the President, by whom they cannot be removed except by the consent of the Senate, for cause stated in writing. This Board is to have full control of our whole monetary and banking system.

Money Substitutes.

The bill is exceedingly complicated in its provisions, but at the end of the proposed change we are to have gold money (legal tender) only, with all of the rest of our circulating medium composed of token silver dollars and certificates, without any future increase in their amount, and the promissory notes of the banks redeemable by them in gold coin, without any guarantee of their value by the Government. This circulating medium is to be supplemented by *bank credits* after the manner explained in Chapter 2 of this book. In short we are to have gold money only, supplemented by all of the devices of credit which the ingenuity of the banks can devise, as SUBSTITUTES for money, with all of the money cornered in their vaults, and all of its substitutes under their absolute control.

National Bank Notes.

The present national bank notes are to be retired from circulation, and national currency notes substituted for them. Four years after the passage of the act the national banks can draw down from the Treasury 25 per cent. of the bonds now deposited to secure their circulation; and thereafter 25 per cent. more per annum until all the bonds are thus drawn down—but WITHOUT any DIMINUTION IN THEIR CIRCULATION. The national currency notes received in lieu of their present notes

now secured by U. S. bonds, are to have nothing behind them except a guarantee fund of 5 per cent. of the amount of such national currency notes, to be deposited with the division of Issue and Redemption in gold coin, and the power to assess all national banks 1 per cent. per annum upon their circulation, to make good the notes of broken banks.

Increase in Circulation.

It is estimated that when the system is complete there will (without any increase in the capital of the banks), be an increase in our circulating medium of one thousand millions of dollars over and above the aggregate of our present supply of money and its *substitutes*, exclusive of bank credits or accommodations. No limit is placed upon such increase, except the amount of paid-up and unimpaired capital of the banks. This capital amounted in 1892 to $686,000,000. The bill places no limitation upon the amount to which the capital of the banks (which govern the amount of national currency notes) can be increased. In 1892 the aggregate sum of the surplus funds of the national banks amounted to $238,000,000, and their undivided profits to $101,000,000.* By using their surplus funds and undivided profits to increase their capital, the banks can, under this bill, with out contributing a fresh dollar to swell such increase, draw 80 per cent. of such increased capital in

* Comp. Rep., 1892, Vol. 1, p. 345.

national currency notes over and above the $1,000,000,000 of increase above mentioned. In short, under the bill the banks can increase their promissory notes authorized by law to circulate as money, to any extent whatever, and without any further security for their prompt redemption than 5 per cent. of such notes in gold coin deposited with the division of Issue and Redemption.

The bill further provides that national banks may be established with a capital of only $25,000 in any place with three thousand inhabitants or less. It was stated in the public press just before the bill was reported, that by this provision the men who engineered the bill in the committee gained the support of one or two of its democratic members who were induced to consent to the report in the hope that it would give relief to the people in the more sparsely settled regions in the West and South, by the establishment of numerous country banks. Vain hope! for the very next section provides that any national bank may "ESTABLISH BRANCHES UNDER SUCH RULES AND REGULATIONS AS MAY BE PRESCRIBED BY THE COMPTROLLERS OF THE CURRENCY."

This last provision is the keystone to the arch of the entire bill. It is the ultimate purpose to which all of its other provisions are directed. That purpose is the creation of the *trust of all trusts*, viz.: a banking trust, which will absorb or destroy every bank, national and State, in the United States. The bill authorizes any State bank to organize under its provisions, and with the enormous advantages which it gives to the banks created under it, every State bank will speedily be

brought into the system or driven out of business.

For months past there have been furtive allusions in the New York press to the alleged fact that the arrangements are already complete to organize a single national bank with $200,000,000 of capital, with J. Pierpont Morgan (who already controls more thaff $50,000 miles of American railways) as its head. Such a gigantic bank, through its power to establish branch banks without limit, will drive out of business or absorb every bank in the country. Are we upon the eve of the fulfilment of the prophiecy made by Benton more than fifty years ago wheu speaking in his place in the Senate and refering to the then recent veto by Jackson of the bill to extend the Charter of the old U. S. Bank he said *"the tigress has been driven to her lair, but she has not been killed. She will come forth again surrounded by all of her whelps."* Are we on the eve of seeing the only too well known methods repeated by which the meat trust and the Standard Oil trust have driven all competitors from the field? Are we indeed to witness the creation of the *Trust of all Trusts* by limiting our supply of money to gold alone with all the gold in the country in the vaults of the Trust, thus giving it an absolute corner upon the only means by which the people can pay their debts? Are we ready to give such trust the power to expand and contract at will our entire circulating medium (except gold) composed as such circulating medium will then be of only a small supply of cornered gold, billions of bank notes, and other billions of fictitious bank credits or accommodations? Are we as a nation ready to give to a single

bank with ten thousand branches the absolute power to elevate and depress at will the general level of prices through its absolute control of all the money and substitutes for money in the country?

Antagonizing this power to establish branch banks Mr. Walker chairman of the committee, in his minority report (p 44) well says, "the putting of its local agent in a place with no interest in it other than the money he can make out of it for his non-resident employer, *means that no independent local bank managed by its citizens, can be established in the town, and if one is there it must go out of business*" and (p 45) he shows that the passage of the bill means that we will have only one great *United States Bank* with *ten thousand branches.*

No man of ordinary intelligence will imagine for a moment that under the enormous temptation to expand their circulating notes under this bill the banks will desire or be able to redeem such notes in gold. The bill is a stupid attempt to copy the machinery of the Bank of England in all that is bad in the law regulating that bank, while it grossly violates all of the provisions which give stability to its operations. No note is taken of the difference between the conditions of the greatest creditor and the greatest debtor nation of the world. Behind every £1 note of the Bank of England there is £1 in gold, while in this bill behind every dollar in National Currency notes there is the sum of five cents only. To maintain the gold basis and gold redemptions in England there annually flows into London, in addition to the ordinary avails of a world-wide commerce, hundreds of

millions of gold, or gold credits, to pay the annually accruing interest on the foreign investments of British subjects. As much of this gold as may be desired readily finds its way into the vaults of England's controlling bank. With us even under the partial gold basis (which has been established by executive usurpation without the sanction of law) to maintain the gold reserve, gold has to be purchased by the issue of interest bearing bonds at enormous expense, or still worse by a monetary contraction which will send our general level of prices so low that England can buy the necessaries of life from us as cheap or cheaper *in gold* than she can in any other foreign market. Slight thought will show that under bill 10,289 the banks will either (1) maintain gold redemptions of their notes by causing a contraction of the circulating medium to a volume far below the present supply of money, for lack of the gold necessary to maintain such redemptions, and thereby wreck all honest industry by a still more disastrous fall in the general level of prices than we have thus far experienced; or (2) temporarily expand their bank note circulation to the utmost limit, then suspend specie payments and put our entire financial and industrial systems afloat upon a sea of wild and reckless speculation. The same results will flow from *any* law that will place, or try to place our country upon the single gold standard. There is not enough free gold in the world to make such an experiment a success. The recent letter of Sir Robert Giffin (the ablest advocate of the gold standard for England) to the London *Times*, protesting, for this

reason, against the proposal to place India on the gold standard, and insisting that the Indian mints must be again opened to the free coinage of silver, ought to demonstrate this fact to the densest mind. In this contention Sir Robert is supported by practically all the leading banks in London. If gold enough cannot be spared from the available supply in the world's commerce, to place India on the gold standard, with the small consuming power of its people, how can it be done with us with a consuming power almost as great as that of England, Germany and France combined?

It is safe to say that House bill No. 10,289, or any other bill with a similar object, will, by contraction, either at once send the masses of our people to the "*wooden shoe*" condition of the European artisan or peasant, or later on to the same condition, after the terrible panic which would soon follow the reckless expansion of bank note circulation and bank credits had robbed them of all their remaining property.

The bill retains or exaggerates every odious feature in the present National Bank Act, and repeals every provision it contains for the benefit of the people. It provides no safeguards for the protection of depositors nor against the reckless expansion of fictitious bank credits, and through them the certain recurrence of monetary panics. Under its operation the campaign for "*honest money*," "*sound money*," "*money worth* 100 *cents on the dollar*," "*money that is good in Europe*," "*money, all of which will be as good as gold*," would soon end in irredeemable bank paper, with neither a gold nor silver standard.

INTENTIONAL SECOND EXPOSURE

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The issue now is not whether we shall have a gold or gold and silver standard, but who shall issue and control the paper money of the country. The opponents of free silver coinage have never yet tried to show that the gold standard would be a good thing for the masses of our people. They have thus far spent their energies in denouncing free silver. They have at last in the bill under review shown their hand. Contrast the reckless and odious monopoly of money which they propose to legislate to the gold trust with the demands of their adversaries set forth in the 3d Chapter of this book.

Will the banks or the people win? That is the question. The political complexion of the Senate is the people's guarantee of safety in the present Congress. The election of a House of Representatives this fall hostile to this and all similar bills may be the only guarantee of safety in the next Congress. Every lover of his country should be "*up and doing*."

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